



Political Transparency and Accountability Profile (2009)

Whole Foods Market, Inc..

CUSIP: 966837106000 Stock Symbol: WFMI Corporate Web Site:
<http://www.wholefoodsmarket.com/>

Whole Foods Market, Inc. (Whole Foods) is the world's largest natural and organic foods distributor and retailer.¹ The company acquired its primary competitor Wild Oats Markets in 2007 and the combined company operates nearly 275 stores in North America and the United Kingdom.² The company is known for taking progressive stances on many social and environmental issues. It states on its website, "We are committed to helping take care of the world around us, and our active support of organic farming and sustainable agriculture helps protect our planet."³

Political Activity

Companies may financially support the political process in several ways. They may give direct 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.⁴ 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.⁵

Whole Foods does not appear to be an active political contributor. It does not disclose its political contributions or its payments to trade associations and other tax-exempt groups used for political spending. The company also has not implemented a policy of board oversight of its political spending. These gaps in transparency and accountability put shareholder value at risk.⁶

¹ See Hoover's "Whole Foods Company Description," available at http://www.hoovers.com/whole-foods/--ID_10952--/free-co-profile.xhtml

² Ibid

³ See "About Whole Foods Market," available at <http://www.wholefoodsmarket.com/company/index.php>

⁴ 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.

⁵ 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>).

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.

The company's Chief Executive Officer John Mackey came under criticism in August 2009 for an editorial published in the Wall Street Journal that opposed President Barack Obama's healthcare plan. The article, entitled "The Whole Foods Alternative to ObamaCare,"⁷ prompted CtW Investment Group, which manages the pension funds of labor unions affiliated with Change to Win to call for Mackey's ouster. CtW called on the company's board of directors to "prevent continued damage in the face of a quickly-growing boycott by Whole Foods' progressive customer base." The investment group wrote, "Mr. Mackey attempted to capitalize on the brand reputation of Whole Foods to champion his personal political views, but has instead deeply offended a key segment of Whole Foods consumer base... This is not the first time Mr. Mackey's unsanctioned communications have damaged Whole Foods' image with consumers and investors."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 Whole Foods 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 Whole Foods 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 Whole Foods is a member of the Organic Trade Association (OTA).⁹ The OTA has been politically active in recent years. In 2007, the OTA reported payments of \$1.4 million and lobbying and political expenditures of \$106,000.¹⁰ In 2006, the OTA reported payments of \$1.2 million and lobbying and political expenditures of \$50,000.¹¹

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.

Positive Practices

Whole Foods discloses some of the policies that regulate its political spending. The company also requires CEO approval of political contributions.

⁷ See John Mackey, "The Whole Foods Alternative to ObamaCare," *Wall Street Journal*, August 11, 2009.

⁸ See "CtW Investment Group Calls on Whole Foods Board to Remove Chair and CEO John Mackey," August 25, 2009. Available at <http://www.ctwinvestmentgroup.com/index.php?id=120>

⁹ See "Trade Member List," available at <http://www.ota.com/about/memberlist.html>

¹⁰ The OTA's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2007 indicates that the group received \$1,438,730 in dues, assessments and similar amounts from members (See line 3, 85c). Of that amount, \$106,060 – or about 7% - was spent on lobbying and political expenditures. (See line 85d)

¹¹ The OTA's Form 990 ("Return of Organization Exempt from Income Tax") for the tax year 2006 indicates that the group received \$1,241,702 in dues, assessments and similar amounts from members (See line 3, 85c). Of that amount, \$50,000 – or about 4% - was spent on lobbying and political expenditures. (See line 85d)

Room for Improvement

Whole Foods does not disclose its political contributions, its memberships in trade associations and other tax-exempt groups or the payments it makes to them that are used for political spending.

Basic Disclosure

Is this information disclosed on the company website?

Political contributions policies	yes ¹²	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
Political contribution policies are included in Code of Conduct	yes ¹⁴
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	yes ¹⁵
Officer or department must approve political contributions	yes ¹⁶
General counsel or legal department must approve political contributions	no

¹² See Whole Foods' "Code of Business Conduct," available at <http://www.wholefoodsmarket.com/company/pdfs/codeofconduct.pdf>

¹³ Whole Foods' " Code of Business Conduct States that "Team Members or agents of WFM should never promise to pay or authorize payment, directly or indirectly, of money, products, services or anything of value to any government official or agent (including employees of a state-owned or state-controlled business or other entity), or any other individual (including political figures or relatives of government officials) or entity in any country in order to influence acts or decisions of government officials..." available at <http://www.wholefoodsmarket.com/company/pdfs/codeofconduct.pdf>

¹⁴ See Whole Foods' "Code of Business Conduct," available at <http://www.wholefoodsmarket.com/company/pdfs/codeofconduct.pdf>

¹⁵ Ibid. The Code of Business Conduct states that "No contributions, gifts or payment may be made from WFM to any political party, candidate, lobbying organization, etc. without the prior approval of the CEO."

¹⁶ Ibid

An executive officer of the company must approve political contributions	yes ¹⁷
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 September 4, 2009

¹⁷ Ibid