



Political Transparency and Accountability Profile (2011)

The Boeing Company (BA)

www.boeing.com

Sector: Industrials

Recent Corporate Political Spending Developments

The January 2010 U.S. Supreme Court decision in *Citizens United v. 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, although they are still prohibited from contributing directly to federal candidates. Third-party groups such as trade associations also may use unlimited general purposes funds for independent expenditures.

Companies may also continue to contribute at the state and local level and to 527 groups. These groups—named for the section of the tax code under which they are organized—raise money for political purposes and may significantly impact federal, state and local elections. Companies also engage in political spending indirectly through their payments to trade associations, organized as 501(c)(6) organizations and other tax-exempt groups, which include social welfare organizations known as 501(c)(4)s. Trade associations and 501(c)(4) 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.¹ 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.² Company funds are also used to pay for trade associations' grassroots lobbying communications.

Boeing's Political Spending Policy and Activity: Overview

Boeing's political spending policy allows for the use of corporate funds to engage in political activity. The company makes corporate political contributions in state and local elections where such activity is legal, and also to specific ballot issues in which the company has an interest. Boeing's Board of Directors designates an amount that the company can spend annually on political contributions and expenditures. Final approval of political spending comes from the Senior Vice President, Government Operations. In turn, "[A]ll political contributions are recommended by the Government Operations organization and are reviewed for compliance by the Vice President and Assistant General Counsel, Government Operations

¹ 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*, Feb. 5, 2008.

² 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, Jan. 14, 2009 available at <http://www.citizen.org/pressroom/release.cfm?ID=2799>, and "Lawmakers and Lobbyists Celebrate Inauguration," *The Washington Independent*, Jan. 20, 2009, available at <http://washingtonindependent.com/26340/lawmakers-celebrate-inauguration-with-lobbyists>.

and an outside firm before they are presented to the Senior Vice President, Government Operations.” In 2009, the company began disclosing its political contributions made with corporate funds on its website.

Boeing has spent approximately \$3 million in corporate funds on political activities since 2002, according to publicly available data. The exact figure is difficult to determine because reporting at the state level is incomplete and can be misleading, and companies are not required to disclose other types of spending such as their indirect political purpose expenditures via third party groups. The above estimate also excludes payments Boeing has made to trade associations or other tax-exempt organizations that fund political activities.

Boeing does not publicly disclose its memberships in trade associations or the portions of payments it makes to them that are used for political purposes. Also, the company’s Board of Directors does not appear to exercise oversight with regard to the company’s political spending. These gaps in transparency and accountability may expose the company to reputational and business risks that could threaten shareholder value.³

A growing number of companies have adopted disclosure and oversight of their political spending. Currently 77 companies in the S&P 500, including more than half in the S&P 100, have committed to disclosure of their political spending policies, the details of the spending, and oversight.

Shareholder Engagement Overview

Boeing has received five shareholder resolutions asking for disclosure and oversight of its corporate-funded political spending since 2005.

Year	Lead Shareholder	Type of Engagement	Votes in Support (Percent)
2010	Newground Social Investment	Resolution	24
2009	Newground Social Investment	Resolution	28
2007	Newground Social Investment	Resolution	28
2005	Newground Social Investment	Resolution	11

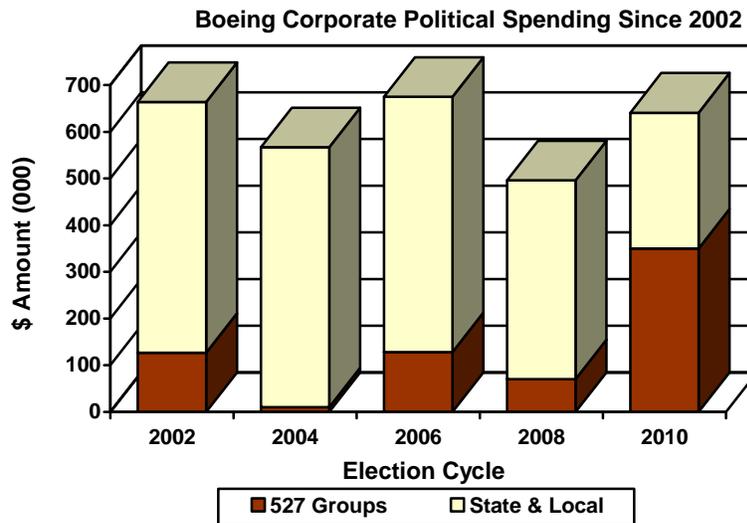
Election Cycle Spending

Boeing has contributed approximately \$2.4 million to state level recipients and \$685,000 to 527 groups since the 2002 election cycle.⁴ See Figure 1.

³ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, Feb. 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.

⁴ 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 always distinguish between contributions made with corporate funds from those 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.

Figure 1



527 Spending

The Democratic and Republican Governors Associations were among the primary 527 groups in receipt of company donations during these years. Other groups that received donations from the company include the National Republican Legislators Association, the Democratic Legislative Campaign Committee and the New Democrat Network Political Fund. Both the RGA and DGA were active politically in 2010, with the RGA raising more than \$59 million and the DGA raising \$27 million for political purposes.⁵ Also, the RGA was criticized in mid-2008 for raising uncapped donations in the 2008 presidential election.⁶

527 Groups in Receipt of Boeing Donations Since 2002⁷

Group	Total Amount Contributed
Democratic Governors Association	\$383,000
Republican Governors Association	\$245,000
National Republican Legislators Association	\$30,000
Democratic Legislative Campaign Committee	\$12,000
New Democrat Network Political Fund	\$10,000

State Level Activity

At the state level, Boeing was politically active in its home state of Washington, as well as California, Missouri and Kansas, and other states, where it contributed to individual candidates, parties, and ballot measure committees. The table below lists the top state recipients.

⁵ Paul Steinhauser, "RGA Breaks Fundraising Record," *CNNPolitics Political Ticker*, Oct. 14, 2010, available at <http://politicalticker.blogs.cnn.com/2010/10/14/rga-breaks-fundraising-record/>

⁶ Brody Mullins and T.W. Farnam, "McCain Allies Find Finance-Law Holes," *The Wall Street Journal*, Jul. 3, 2008, available at <http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/1369>

⁷ CQ PoliticalMoneyline, www.politicalmoneyline.com. The CPA used CQ's database to conduct searches on the company's 527 committee 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 may include donations made with employee funds.

Boeing State Level Spending Since 2002⁸

State	Total Amount Contributed*
Washington	\$843,000
California	\$557,000
Missouri	\$309,000
Kansas	\$269,000
Alabama	\$76,000

Ballot Measures

Boeing has contributed to several ballot measure committees in Washington and California in recent years. The most notable of such contributions was a series of contributions in 2005 totaling \$115,000 to the committee Keep Washington Rolling, which opposed an initiative to repeal a motor vehicle fuel tax which had been passed in the previous legislative session. Also in 2005, the company contributed \$25,000 to a committee in California supporting a proposition to increase the amount of time public school teachers must wait to become public employees. In 2006, it contributed \$20,000 to No On I-937, which opposed an initiative in Washington state to require certain electric utilities to meet renewable energy standards.

Boeing Contributions to Ballot Measure Committees⁹

Year	State	Recipient	Amount
2005	WA	Keep Washington Rolling	\$115,000
2005	CA	Governor Schwarzenegger's California Recovery Team	\$25,000
2006	WA	No On I-937	\$20,000
2010	CA	Yes on 21 – Californians for State Parks & Wildlife Preservation	\$15,000
2003	WA	Workers Against Job Killing Rules	\$10,000

Independent Expenditures

The *Citizens United* decision allows corporations to fund independent expenditures using unlimited corporate treasury funds. In July 2010, the CPA and its investor partners surveyed the S&P 500, asking whether the companies intended to engage in independent expenditure activity, and if so, whether they planned on disclosing the expenditures and adopting appropriate oversight procedures. A majority of the responding companies stated that they do not intend to engage in this type of activity, while many respondents declined to state their position or commit to additional disclosure. Others noted that their policies were under review. Boeing did not respond to the letter.

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, issue advocacy, and independent expenditures. 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 Boeing belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their

⁸ The Institute for Money in State Politics, www.followthemoney.org/. The amounts listed for state level spending are approximate because state campaign finance reporting is often incomplete and in many cases contributions from the corporation and its political action committee (PAC) are combined, even though the latter are employee-funded. The CPA makes every effort to exclude donations that appear to come from a company PAC or from an individual employee.

⁹ The Institute for Money in State Politics, www.followthemoney.org/

entire membership list. Shareholders also do not have access to the amounts Boeing 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 Boeing:

- CEO James McNerney serves on the Business Roundtable (BRT);¹⁰
- Senior Vice President Timothy Keating serves on the Board of Directors of the National Association of Manufacturers (NAM);¹¹ and
- is a member of the Aerospace Industries Association (AIA).¹²

These associations, particularly the Business Roundtable and the National Association of Manufacturers, have been politically active in recent years. Since 2007, the BRT has reported spending an average of \$11.7 million per year on lobbying and political expenditures, while NAM has reported an average of \$7.1 million year. See charts below for a breakdown of each association's reported yearly political activity. Another major trade association, the United States Chamber of Commerce, is also politically active, but it is not known whether Boeing is a member of this group.

Business Roundtable	2007	2008	2009
Reported Dues (\$ millions)	22.4	20.9	20.1
Lobbying and Political Expenditures (\$ millions)	8.4	13.3	13.4
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>37.5</i>	<i>63.6</i>	<i>66.7</i>

(Source: IRS Form 990s, available at Guidestar.org)

National Association of Manufacturers	2007	2008	2009
Reported Dues (\$ millions)	30.4	29.1	33.7
Lobbying and Political Expenditures (\$ millions)	4.6	7.5	9.2
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>15.1</i>	<i>25.8</i>	<i>27.3</i>

(Source: IRS Form 990s, available at Guidestar.org)

Aerospace Industries Association	2006	2007	2008
Reported Dues (\$ millions)	7.3	8.7	9.0
Lobbying and Political Expenditures (\$ thousands)	460	610	759
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>6.3</i>	<i>7.0</i>	<i>8.4</i>

(Source: IRS Form 990s, available at Guidestar.org)

A portion of the company's payments to these groups likely was used to underwrite some of this political spending. The company could face reputational or business risks from the political activities of trade associations or groups to which it makes payments. This risk is discussed in the *Handbook on Corporate Political Activity*, released by The Conference Board in November 2010. While "corporate leaders are aware that even when their own actions pose little risk," it notes, "the behavior of suppliers, trade associations, and other third parties has the potential to affect how their organizations are viewed."¹³ Without disclosure of such payments made by the company, shareholders cannot assess these risks.

¹⁰ See Business Roundtable "About Us: Members," available at <http://businessroundtable.org/about-us/members/#E>

¹¹ See National Association of Manufacturers "NAM Board of Directors," available at <http://namissvr.nam.org/NAMISSvr/NAMBoardOfDirectors.aspx>

¹² See Aerospace Industries Association "Our Members," available at http://www.aia-aerospace.org/membership/our_members/

¹³ *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010, p.15. Available at www.politicalaccountability.net

Inadequate disclosure can be problematic for another reason. Shareholders may not be able to evaluate whether the company's political giving aligns with the mission and values of the company. "[G]iven the relative freedom trade associations have to engage in political activity, it may be advisable for companies to inquire about how their own payments to trade associations are spent," the handbook notes. "Without this information about how its contributions are spent, a corporation may unwittingly end up supporting politicians or political causes with which the company may not want to be associated. It may also find its funds being used to promote positions that may not be aligned with its values or business strategies."¹⁴

Boeing's website highlights the company's commitment to promoting environmentally sustainable practices and combating global climate change. It states, "[B]oeing believes that climate change is a serious environmental challenge that requires credible action. Recognizing this, Boeing is committed to reduce emissions of greenhouse gases from our facilities and products." The company also notes its support for a government role in stabilizing emissions and combating climate change, stating that, "[A]s the global community develops approaches to reducing greenhouse gas emissions; Boeing acknowledges that voluntary measures alone may not be enough and supports development of mandatory yet flexible frameworks to address emission reductions."

The company also is a member of the Pew Center's Business Environment Leadership Council, which describes itself as "the largest U.S.-based association of corporations focused on addressing the challenges of climate change and supporting mandatory climate policy."¹⁵

Boeing is a member of NAM, however, which has opposed legislative or regulatory action on climate change (although the organization has recently modified its stance). For instance, in 2009, NAM launched a large opposition to the American Clean Energy Security Act by coordinating a multi-state media campaign and indicating to members of Congress that their votes on the bill would be "Key Voted," or scored, on the direction of their vote.¹⁶ In 2009, a major utility, Duke Energy, withdrew its membership from NAM due to the association's opposition of cap-and-trade legislation.¹⁷ Shareholders who support Boeing's backing of progressive policies and actions on climate change may want to know how NAM uses the company's payments.

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. Some of the standards and best practices are included the *Handbook on Corporate Political Activity*.¹⁸ 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

¹⁴ Ibid.

¹⁵ See Business Environmental Leadership Council (BELC) "BELC Member Companies," available at http://www.pewclimate.org/companies_leading_the_way_belc/company_profiles

¹⁶ See National Association of Manufacturers "NAM, NFIB Launch Media Campaign Opposing Waxman-Markey Climate Change Bill," available at <http://www.nam.org/Communications/Articles/2009/08/NAMNFIBLaunchMediaCampaignOpposingWaxmanMarkey.aspx> and "NAM Key Votes Against H.R. 2454, the Waxman-Markey Bill," available at <http://shopfloor.org/2009/06/nam-key-votes-against-hr-2454-the-waxman-markey-bill/9632>

¹⁷ Lisa Lerer, "Duke Energy Ditches Manufacturing Group," *Politico*, May 8, 2009, available at <http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/2129>

¹⁸ *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010. Available at www.politicalaccountability.net

Boeing discloses political contributions made with corporate funds and has a policy governing its political spending available in its Code of Conduct as well as on a separate, dedicated webpage.

Room for Improvement

Boeing does not disclose 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 appear to oversee its political spending.

Basic Disclosure

Is the following information disclosed on the company’s website?

Policy on corporate political contributions and expenditures	yes ¹⁹
The recipients and amounts of its political spending	yes ²⁰
Memberships in trade associations and other tax-exempt groups	no
Payments to trade associations and other tax-exempt groups used for political purposes	no

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 ²¹
Company will not reimburse employees directly or indirectly for political donations or expenses	yes ²²
No employees will be pressured to make any personal political expenditures	no
Political contributions policies are included in Code of Conduct	yes ²³
Political contributions policies are disclosed elsewhere on the company website	yes ²⁴

¹⁹ See Boeing “Statement on Federal, State, and Local Political Expenditures,” available at http://www.boeing.com/aboutus/govt_ops/pol_expend.html

²⁰ See Boeing “2009 Corporate Political Expenditures,” available at http://www.boeing.com/aboutus/govt_ops/docs/2009_corp_pol_expend.pdf

²¹ See Boeing’s “Ethical Business Conduct Guidelines,” available at http://www.boeing.com/companyoffices/aboutus/ethics/ethics_booklet.pdf. The policy states that “Under the Foreign Corrupt Practices Act (FCPA), The Boeing Company is prohibited from corruptly offering to pay, pay, give, or authorize the payment of money, gift or other thing of value to any foreign political party, official of a foreign political party, or candidate for foreign political office for the purpose of influencing an act or decision or securing an improper advantage in order to help Boeing obtain or retain business.”

²² Ibid. Boeing’s “Ethical Business Conduct Guidelines” state that “Under no circumstances...will any employee be compensated or reimbursed in any way by the Company for a personal political contribution.”

²³ Ibid. See “Political Contributions” section of Boeing’s “Ethical Business Conduct Guidelines.”

²⁴ See Boeing’s “Statement on Federal, State, and Local Political Expenditures,” available at http://www.boeing.com/aboutus/govt_ops/pol_expend.html

Political contributions policies include specific criteria for approval of political donations	yes ²⁵
Prior approval required for political contributions	yes ²⁶
Officer or department must approve political contributions	yes ²⁷
General counsel or legal department must approve political contributions	no
An executive officer of the company must approve political contributions	yes ²⁸
Board of directors or board committee oversees political contributions	no ²⁹
Board of directors or board committee must issue prior approval for political contributions	no
The same standards and oversight procedures apply to payments made to trade associations and other tax-exempt groups that are used for political purposes	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.

Report Date: March, 2011

²⁵ See Boeing's "Ethical Business Conduct Guidelines," available at http://www.boeing.com/companyoffices/aboutus/ethics/ethics_booklet.pdf. The policy states that "Contributions are decided on a bipartisan basis with the overriding purpose of supporting candidates and committees who share the Company's position on issues of importance to its business and its shareholders."

²⁶ See Boeing's "Statement on Federal, State, and Local Political Expenditures," available at http://www.boeing.com/aboutus/govt_ops/pol_expend.html. The policy states that "Authority to approve political contributions has been delegated by the Board of Directors to the Chief Executive Officer who, in turn, has delegated authority to approve specific contributions to the Senior Vice President, Government Operations. All political contributions are recommended by the Government Operations organization and are reviewed for compliance by the Vice President and Assistant General Counsel, Government Operations and an outside firm before they are presented to the Senior Vice President, Government Operations."

²⁷ Ibid

²⁸ Ibid. Boeing's "Statement on Federal, State, and Local Political Expenditures" states that the Senior Vice President, Government Operations is delegated with the authority to approve political contributions. Boeing's 2010 "Form 10-K" states that the company's Senior Vice President, Government Operations, Timothy J. Keating, is a executive officer of the company. Available at http://www.sec.gov/Archives/edgar/data/12927/000119312510024406/d10k.htm#rom27160_15

²⁹ Ibid. Boeing's "Statement on Federal, State, and Local Political Expenditures" states that "The Company makes corporate political contributions in state and local elections up to an amount authorized by the Board of Directors, in compliance with applicable laws and regulations. Authority to approve political contributions has been delegated by the Board of Directors to the Chief Executive Officer." This statement does not clearly indicate how much authority the board exercises over political spending besides authorizing the total yearly sum that is available for political spending use.