

**MASON-DIXON
POLLING & RESEARCH**

**The Center for Political
Accountability**

&

**Zicklin Center
For Business Ethics Research
The Wharton School**

2008

**Nationwide Survey
of
Members of Corporate
Boards of Directors**

**Attitudes Towards
& Awareness Of:**

- **Campaign Finance Laws**
- **Corporate Oversight of Political Spending and Activity**
- **Proposed Reforms**

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of
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Political Spending & Activity

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BACKGROUND & RESEARCH OBJECTIVES

This survey was commissioned by **The Center for Political Accountability (CPA)** and the Zicklin Center for Business Ethics Research of the University of Pennsylvania's Wharton School. CPA is a “non-profit, non-partisan dedicated to bringing transparency and accountability to corporate political giving” and activity.¹ The Zicklin Center sponsors research on critical topics in business focusing on business ethics and corporate governance.²

Core to the organizations' mission is to better understand corporate leaders attitudes towards, awareness of and behaviors related to corporate political activities and political spending.

That is the context in which this survey was conducted. The research objectives were defined by CPA and the Zicklin Center and focused on documenting and measuring:

- The level of political activity of boards of directors.
- The perceived importance and impact of corporate political activity.
- The level of familiarity and knowledge of campaign finance laws as they relate to corporations.
- Internal reporting and processes related to corporate political activity.
- The perceived level of risk associated with corporate political activity.
- The degree of support for specific reform proposals regarding disclosure and board oversight of corporate political activity.

The objectives were accomplished by the survey and are detailed in this report.

¹ <http://www.politicalaccountability.net>

² <http://www.zicklincenter.org>

Methodology

Mason-Dixon Polling & Research, Inc. conducted this survey from February 4-15, 2008. A total of 255 members of boards of directors of Russell 2000 companies were interviewed by telephone.

Those interviewed were selected randomly from commercially available lists of Russell 2000 companies, which included listings of their boards of directors. In addition, the list of board member names were tele-matched to their personal residences; this enable researches to contact 'independent and outside' board members as well as 'internal and management' board members. Of the 255 board members interviewed 57% were 'internal/management' board members and 43% were 'Independent/outside'.

The margin for error, according to standards customarily used by statisticians, is no more than plus or minus +/-6 percentage points. This means that there is a 95 percent probability that the "true" figure would fall within that range if all board members of Russell 2000 companies were surveyed.

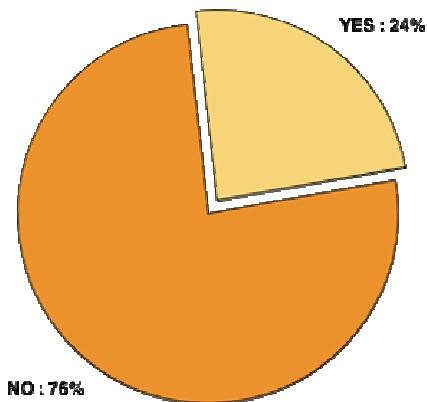
Key Findings

- Relatively few boards are actively engaged in political advocacy and even fewer are engaged in fund raising.
- **A majority of directors think that political advocacy is essential to their industry and company, yet few say the activity results in favorable outcomes.**
- More directors report that **political advocacy by competitor companies and industries does more ‘harm’ than their political advocacy does ‘good’.**
- A substantial percentage of directors state that they are familiar with the laws and regulations concerning corporate political activity. Yet, **when tested on the disclosure regime that is at the core of campaign finance law, they fail miserably.**
- Directors express a high level of confidence in their company’s internal reporting and oversight of political activity. Yet, 4-in-10 directors report that they do not even receive reports detailing political spending
- **A substantial percentage report that political activity poses risks to their company,** industry and corporate America at-large.
- In response to the legal and reputational risk, **directors strongly support reforms in the disclosure** of corporate political activity.

Political Activity by Boards of Directors

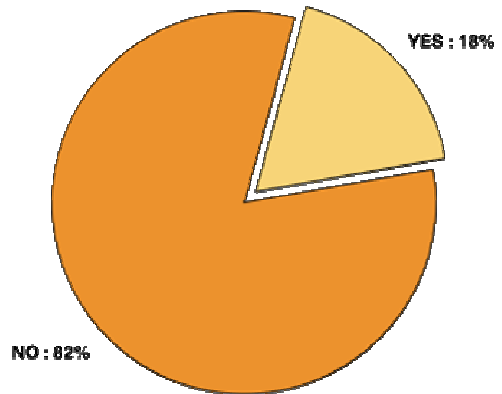
Advocacy

Are you or other board members personally engaged in political and policy advocacy for your corporation or industry with elected officials or regulatory agencies?



Fundraising

Are you or other board members personally engaged in corporate or industry political fundraising or spending?



- **Relatively few boards** are involved in **political activity**. When asked if they or any other board members engaged in political advocacy, just 24% said yes and even fewer are engaged in political fund raising (18%).
- During their tenure, a majority (66%) of directors said that the level of corporate political activity has stayed about the same, 14% said it had increased, 5% decreased, and 15% were not sure.

Pressure to Contribute?

At one time or another I have felt uncomfortably pressured by industry or company colleagues to make or solicit political contributions.



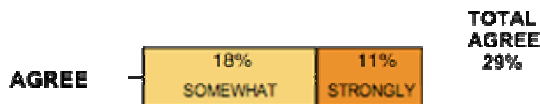
I have felt uncomfortably pressured by elected official to make political contributions.



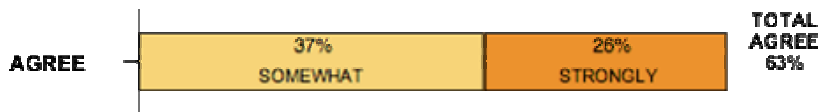
- There is a **strong consensus (90%)** among directors that they are not ***'uncomfortably pressured'*** to make or solicit political contributions by company or industry colleagues.
- An identical percentage (90%) said the same about pressure from elected officials.
- There was a good deal of intensity in response to both questions with nearly 6-in-10 directors 'strongly disagreeing' that they felt pressure to make political contributions.

Impact of Political Advocacy & Spending by Companies

Political advocacy and spending by my company and/or industry has resulted in instances of favorable legislative, regulatory or tax treatment.



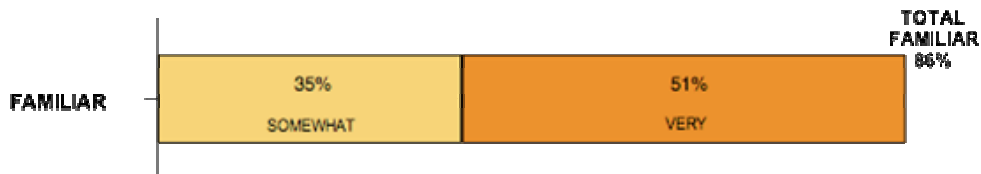
Political advocacy and spending by competitor companies or industries have resulted in instances of unfavorable legislative, regulatory or tax treatment of my company or industry.



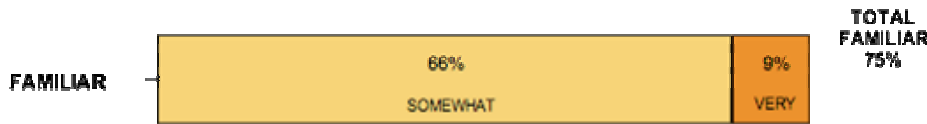
- While 6-in-10 directors state that political activity is essential to their company's and industry's competitiveness, twice as many (63%) say that political activity by competitor companies or industries has resulted in unfavorable treatment than favorable (29%).

Familiarity with Campaign Finance Laws & Own Company Political Activities

How familiar are you with your company's political advocacy and activities, including political fundraising?



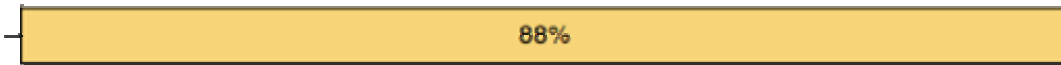
Generally, how familiar are you with campaign finance laws and regulations that govern corporate political spending and activity?



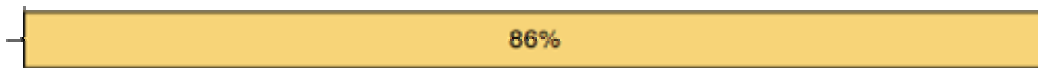
- Nearly 9-in-10 directors stated that they were familiar with the own company's political activity, with a majority (51%) of all directors saying that they were 'very familiar', and 35% 'somewhat' familiar.
- A substantial majority (75%) of directors say they are familiar with campaign finance laws, (9% 'very familiar' and 66% 'somewhat familiar').

Percentage Not Knowing Current Laws

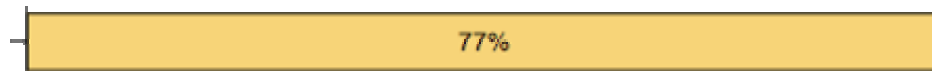
CORP. REQUIRED TO DISCLOSE ALL POLITICAL SPENDING



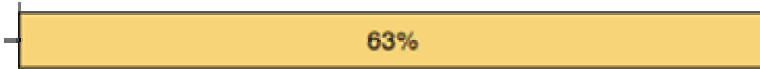
TRADE ASSOC. REQUIRED TO DISCLOSE MEMBERSHIP AND CANDIDATES & ORG. THAT BENEFIT FROM POLITICAL EXPENDITURES



501c4s REQUIRED TO DISCLOSE MEMBERSHIP AND CANDIDATES & ORG. THAT BENEFIT FROM POLITICAL EXPENDITURES



BOARDS REQUIRED TO APPROVE & OVERSEE POLITICAL EXPENDITURES



- An overwhelming majority of directors failed when tested on their professed knowledge and familiarity with corporate campaign finance laws an.
- The chart above illustrates that overwhelming majorities of directors incorrectly think that all political contributions by corporations, trade associations and non-profits are required to be disclosed.
- More interestingly is the fact that 63% of directors mistakenly think that boards are required to approve and oversee political expenditures.

Current Internal Reporting & Processes

I am very confident that my company has the policies and oversight in place to protect it from the risks associated with political spending.



My company has a 'code of conduct' or other written policy that provides guidance and governs political spending and activity.



My company provides directors with reports on the company's political spending.

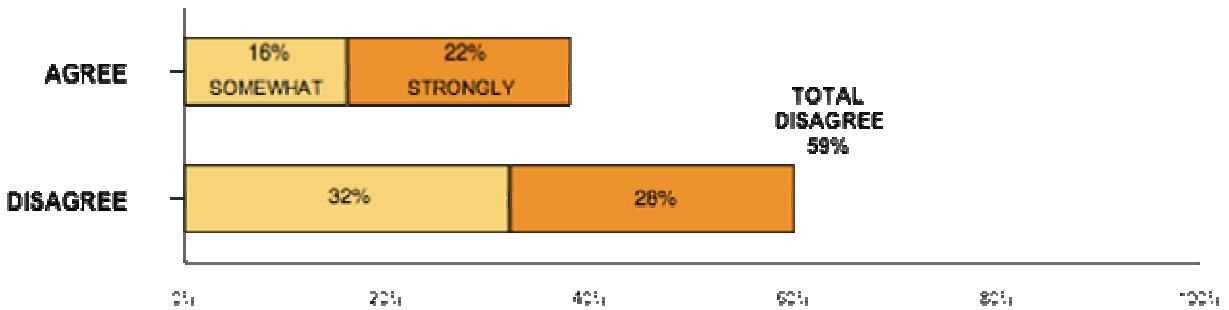


- 89% of directors say they are confident that their company policies and oversight protect the company from risks associated with political spending.
- 81% say they have 'codes of conduct' or other policies that provided guidance on political activity.
- But, just over half 56% say they receive reports on their company's political spending, which belies their reported confidence in their oversight.

Attitudes about Corporate Political Activity & Risk

Legal risk & risk to reputation

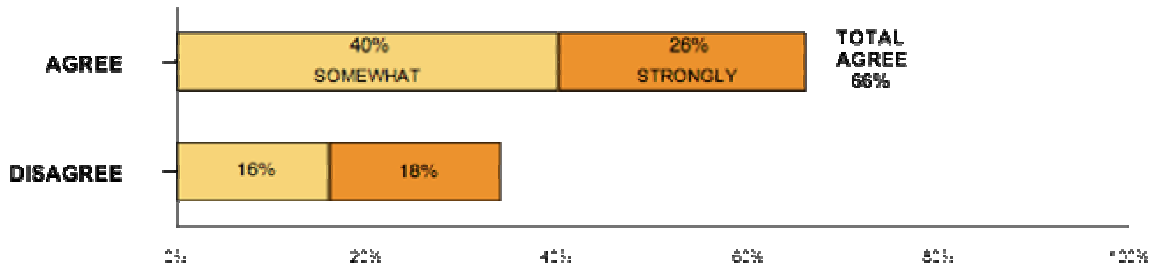
The lack of transparency and oversight in corporate political activity encourages behavior that puts corporations at legal risk and endangers corporate reputations.



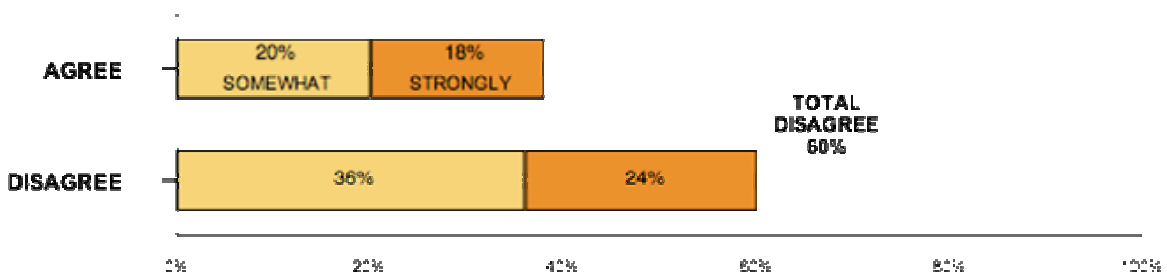
- While a majority (59%) disagreed, **4-in-10 (38%)** directors think that lack of **transparency and oversight of corporate political activity ‘encourages behavior’** that poses legal and reputational risks to companies.

Attitudes about Corporate Political Activity & Risk (continued)

In recent years high profile scandals related to corporate political activities have damaged the public's confidence and trust in corporate America.

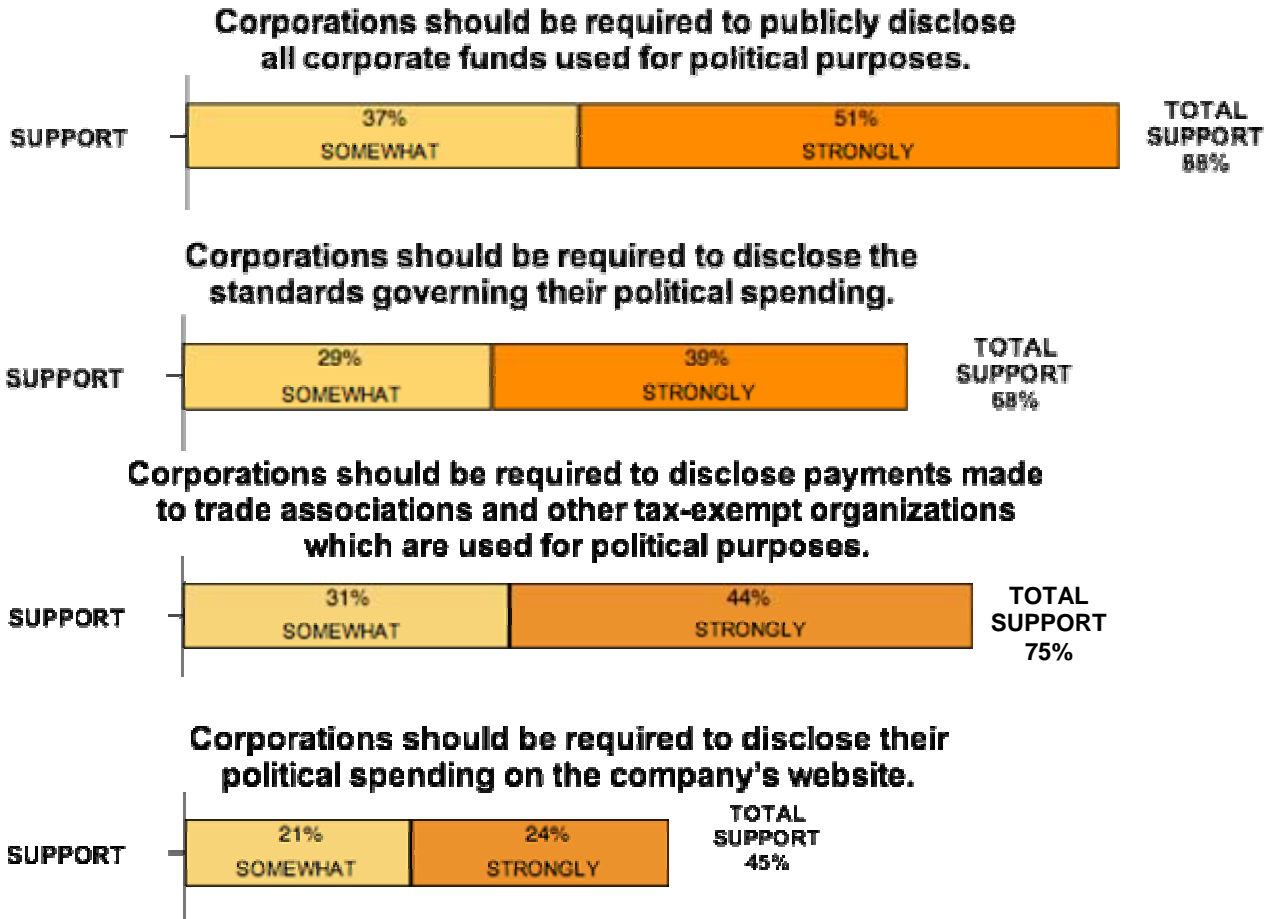


Reforms in corporate political spending are unnecessary to protect companies for risk.



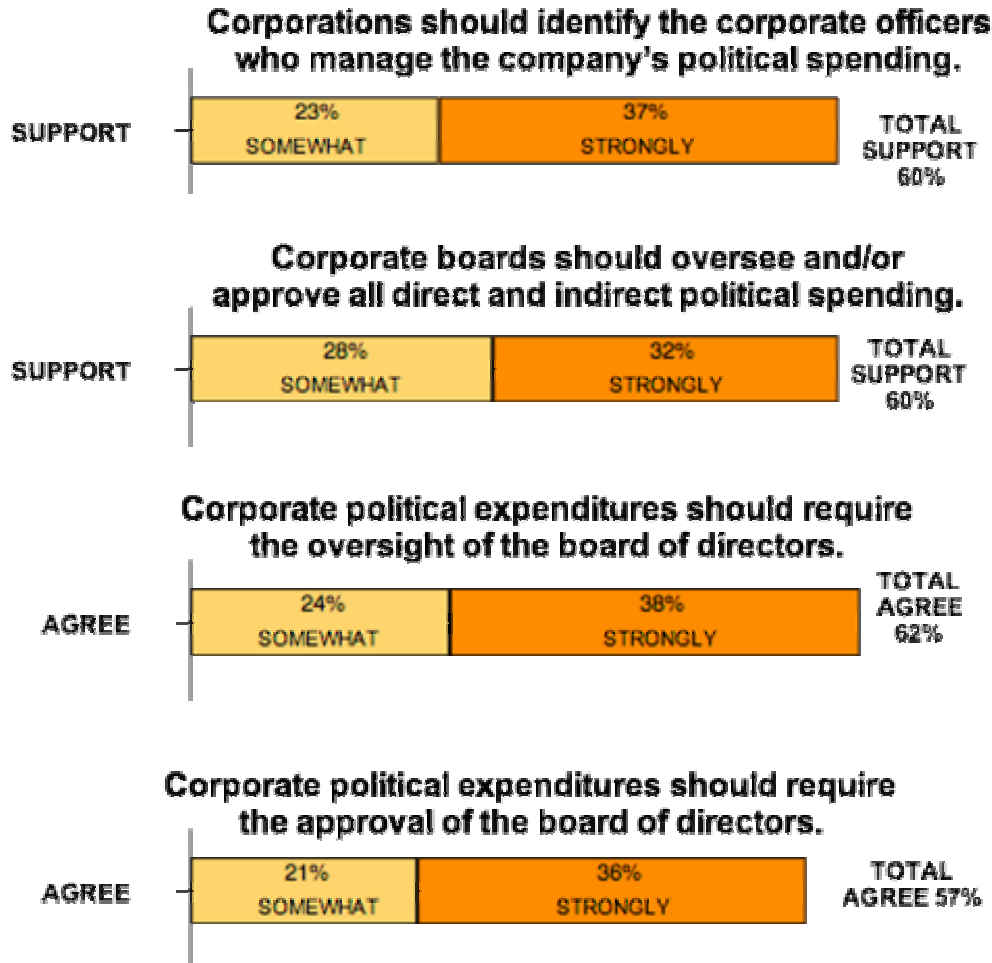
- Two thirds (66%) of directors say that recent corporate **scandals have damaged** the public's **trust and confidence in corporate America**.

Support for Specific Reform Proposals: Disclosure



- Directors expressed **strong support with substantial intensity in each of the disclosure based reforms** tested (with the exception of posting their political spending on their company website).

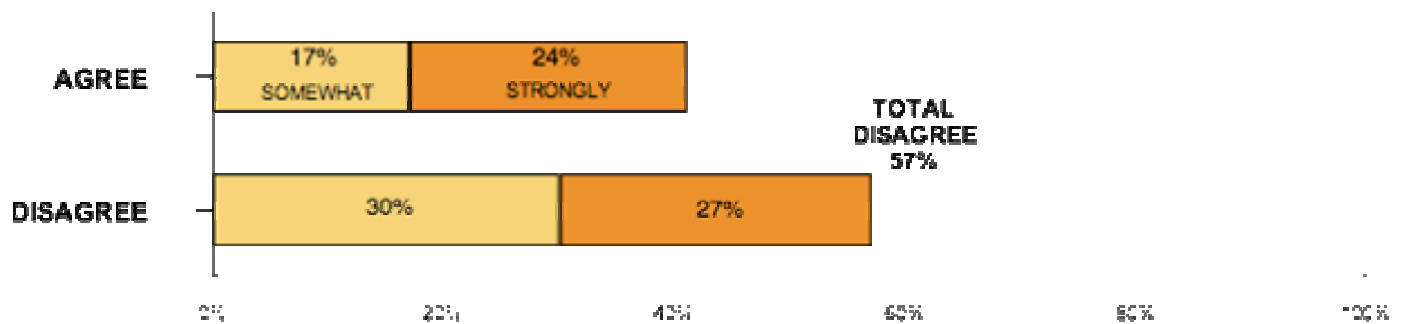
Support for Specific Reform Proposals: Oversight



- 60% of directors support accountability by identifying corporate officers who are responsible for political spending.
- Directors also stated support reforms codifying the boards' accountability by requiring board oversight (62%) and explicit approval (57%) of political spending.

The Burden & Cost of Reform

Additional reporting requirements and transparency in corporate political spending *would be too burdensome and costly.*



- A majority (57%) of board members disagreed that these additional reporting requirements and transparency in political spending would be too burdensome and costly.

Methodology: A total of 255 members of boards of directors of Russell 2000 companies were interviewed by telephone. Interviews were conducted between February 4 – 15, 2008. Margin of error is 6%.

1. Generally, how familiar are you with campaign finance laws and regulations that govern corporate political spending and activity?

VERY FAMILIAR	9%	
SOMEWHAT FAMILIAR	66%	75%
NOT TOO FAMILIAR	16%	
NOT FAMILIAR	9%	25%

2. How familiar are you with your company's political advocacy and activities, including political fundraising?

VERY FAMILIAR	51%	
SOMEWHAT FAMILIAR	35%	86%
NOT FAMILIAR	14%	
NOT SURE	0%	0%

3. Are you or other board members personally engaged in political and policy advocacy for your corporation or industry with elected officials or regulatory agencies?

YES	24%
NO	76%

4. Are you or other board members personally engaged in corporate or industry political fundraising or spending?

YES	18%
NO	82%

5. During your tenure as a corporate board member, has corporate political activity, including political spending, increased, decreased or stayed about the same?

INCREASED	14%
DECREASED	5%
STAYED THE SAME	66%
NOT SURE	15%

6. To the best of your knowledge, under current law, are corporations required or not required to publicly disclose all of their political spending?

REQUIRED	73%
NOT REQUIRED	12%
NOT SURE	15%

7. Under current law, are corporate boards required or not required to approve and oversee political expenditures?

REQUIRED	38%
NOT REQUIRED	37%
NOT SURE	24%

8. Are trade associations required to disclose their corporate members and the candidates and political organizations that benefit from their political expenditures?

REQUIRED	41%
NOT REQUIRED	14%
NOT SURE	46%

9. Are 501 c4 organizations required to disclose their contributors and the candidates and political organizations that benefit from the political expenditures?

REQUIRED	23%
NOT REQUIRED	23%
NOT SURE	54%

10. Corporations should be required to publicly disclose all corporate funds used for political purposes.

STRONGLY SUPPORT	51%	
SOMEWHAT SUPPORT	37%	88%
SOMEWHAT OPPOSE	9%	
STRONGLY OPPOSE	3%	12%
NOT SURE	1%	

11. Corporations should be required to disclose payments made to trade associations and other tax-exempt organizations which are used for political purposes.

STRONGLY SUPPORT	44%	
SOMEWHAT SUPPORT	31%	76%
SOMEWHAT OPPOSE	17%	
STRONGLY OPPOSE	6%	23%
NOT SURE	1%	

12. Corporations should be required to disclose the standards governing their political spending.

STRONGLY SUPPORT	39%	
SOMEWHAT SUPPORT	29%	68%
SOMEWHAT OPPOSE	15%	
STRONGLY OPPOSE	16%	31%
NOT SURE	1%	

13. Corporations should identify the corporate officers who manage the company's political spending.

STRONGLY SUPPORT	37%	
SOMEWHAT SUPPORT	23%	60%
SOMEWHAT OPPOSE	19%	
STRONGLY OPPOSE	19%	38%
NOT SURE	2%	

14. Corporate boards should oversee and/or approve all direct and indirect political spending.

STRONGLY SUPPORT	32%	
SOMEWHAT SUPPORT	28%	60%
SOMEWHAT OPPOSE	17%	
STRONGLY OPPOSE	22%	39%
NOT SURE	1%	

15. Corporations should be required to disclose their political spending on the company's website.

STRONGLY SUPPORT	24%	
SOMEWHAT SUPPORT	21%	45%
SOMEWHAT OPPOSE	28%	
STRONGLY OPPOSE	26%	54%
NOT SURE	1%	

16. Reforms in corporate political spending are unnecessary to protect companies for risk.

STRONGLY AGREE	18%	
SOMEWHAT AGREE	20%	38%
SOMEWHAT DISAGREE	36%	
STRONGLY DISAGREE	24%	60%
NOT SURE	2%	

17. I am very confident that my company has the policies and oversight in place to protect it from the risks associated with political spending.

STRONGLY AGREE	58%	
SOMEWHAT AGREE	31%	89%
SOMEWHAT DISAGREE	7%	
STRONGLY DISAGREE	3%	
NOT SURE	1%	4%

18. Corporations should disclose dues to trade associations and other tax-exempt organizations that are used for political purposes.

STRONGLY AGREE	38%	
SOMEWHAT AGREE	26%	64%
SOMEWHAT DISAGREE	18%	
STRONGLY DISAGREE	17%	35%
NOT SURE	2%	

19. Corporate political expenditures should require the oversight of the board of directors.

STRONGLY AGREE	38%	
SOMEWHAT AGREE	24%	62%
SOMEWHAT DISAGREE	20%	
STRONGLY DISAGREE	17%	36%
NOT SURE	2%	

20. Corporate political expenditures should require the approval of the board of directors.

STRONGLY AGREE	36%	
SOMEWHAT AGREE	21%	57%
SOMEWHAT DISAGREE	20%	
STRONGLY DISAGREE	23%	42%
NOT SURE	1%	

21. The lack of transparency and oversight in corporate political activity encourages behavior that puts corporations at legal risk and endangers corporate reputations.

STRONGLY AGREE	22%	
SOMEWHAT AGREE	16%	38%
SOMEWHAT DISAGREE	32%	
STRONGLY DISAGREE	28%	59%
NOT SURE	3%	

22. In recent years high profile scandals related to corporate political activities have damaged the public’s confidence and trust in corporate America.

STRONGLY AGREE	26%	
SOMEWHAT AGREE	40%	66%
SOMEWHAT DISAGREE	16%	
STRONGLY DISAGREE	18%	34%
NOT SURE	0%	

23. Effective and active political advocacy by our industry, including fundraising and spending is essential to our industry’s competitiveness and bottom line.

STRONGLY AGREE	26%	
SOMEWHAT AGREE	37%	63%
SOMEWHAT DISAGREE	18%	
STRONGLY DISAGREE	18%	35%
NOT SURE	2%	

24. Political advocacy and spending by competitor companies or industries have resulted in instances of unfavorable legislative, regulatory or tax treatment of my company or industry.

STRONGLY AGREE	17%	
SOMEWHAT AGREE	29%	46%
SOMEWHAT DISAGREE	29%	
STRONGLY DISAGREE	21%	51%
NOT SURE	3%	

25. Political advocacy and spending by my company and/or industry has resulted in instances of favorable legislative, regulatory or tax treatment.

STRONGLY AGREE	11%	
SOMEWHAT AGREE	18%	29%
SOMEWHAT DISAGREE	38%	
STRONGLY DISAGREE	28%	66%
NOT SURE	4%	

26. My company has a 'code of conduct' or other written policy that provides guidance and governs political spending and activity.

STRONGLY AGREE	52%	
SOMEWHAT AGREE	29%	82%
SOMEWHAT DISAGREE	11%	
STRONGLY DISAGREE	5%	16%
NOT SURE	3%	

27. My company provides directors with reports on the company's political spending.

STRONGLY AGREE	33%	
SOMEWHAT AGREE	24%	56%
SOMEWHAT DISAGREE	21%	
STRONGLY DISAGREE	20%	41%
NOT SURE	3%	

28. Additional reporting requirements and transparency in corporate political spending would be too burdensome and costly.

STRONGLY AGREE	24%	
SOMEWHAT AGREE	17%	41%
SOMEWHAT DISAGREE	30%	
STRONGLY DISAGREE	27%	57%
NOT SURE	2%	

29. At one time or another I have felt uncomfortably pressured by industry or company colleagues to make or solicit political contributions.

STRONGLY AGREE	2%	
SOMEWHAT AGREE	7%	10%
SOMEWHAT DISAGREE	31%	
STRONGLY DISAGREE	59%	90%
NOT SURE	0%	

30. At one time or another I have asked industry or company colleagues to make political contributions.

STRONGLY AGREE	5%	
SOMEWHAT AGREE	13%	18%
SOMEWHAT DISAGREE	25%	
STRONGLY DISAGREE	57%	82%

31. I have felt uncomfortably pressured by elected official to make political contributions.

STRONGLY AGREE	4%	
SOMEWHAT AGREE	7%	11%
SOMEWHAT DISAGREE	33%	
STRONGLY DISAGREE	57%	89%
NOT SURE	0%	

32. How many years have you been a member of a board of directors?

<5 YEARS	24%	
5-9 YEARS	19%	43%
10-19 YEARS	28%	
20+ YEARS	28%	56%
REFUSED	0%	

33. Are you an independent or outside director or not?

OUTSIDE	48%
NOT OUTSIDE	51%
REFUSED	2%

34. Would you consider your industry a highly regulated industry?

HIGHLY REGULATED	75%
NOT HIGHLY REGULATED	25%
REFUSED	0%