

Corporate Political Disclosure and the Mutual Fund Vote 2015 PROXY SEASON ANALYSIS SHOWS STEADY SUPPORT

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Mutual funds increased their support for corporate political spending disclosure in the 2015 proxy season, voting for disclosure 42 percent of the time on average, according to the Center for Political Accountability’s latest survey of annual mutual fund voting records. That’s up from 40 percent, on average, last year.

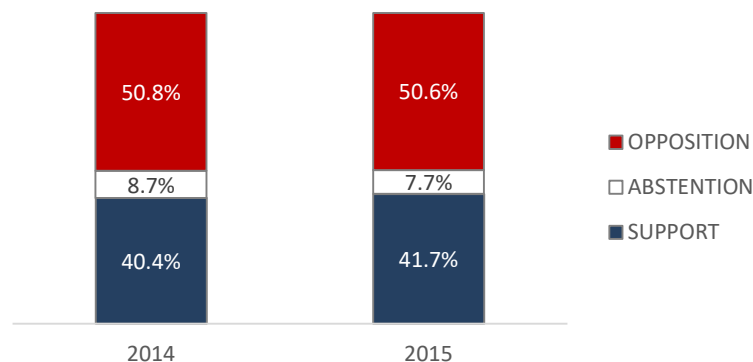
CPA’s model shareholder resolution asks companies to disclose and have board oversight of their political spending from corporate funds.

In 2014, CPA’s survey of mutual fund voting on corporate political spending was expanded from an original set of 40 large fund families surveyed in previous years, to include 69 large and well-known mutual fund groups. Across their portfolios of funds, all of these groups had cast votes on at least 10 of the model resolutions that were voted upon in both the 2013 and 2014 proxy seasons.

This year’s survey continues the analysis that was expanded in 2014. It examines the votes of 68 large fund families, where at least 10 resolutions were voted on by the funds in the 32 and 34 resolutions that came to vote in each of the 2014 and 2015 proxy seasons, respectively. ¹

These fund groups collectively manage in excess of \$10 trillion, according to Morningstar® fund data. Approximately 40-45 percent of that amount is invested in domestic stocks. These groups therefore control a significant portion of the shareholder vote and provide a good indicator of how institutional shareholders view the need for corporate political spending disclosure.

Figure 1: Mutual Fund Voting Trend on Political Contributions Resolutions 2014-2015²



¹ This covers resolutions voted on at meetings taking place between July 1, 2013 and June 30, 2014, for the 2014 proxy season, and between July 1, 2014 and June 30, 2015, for the 2015 proxy season.

² For this review, CPA counted the numbers of votes cast for, against, and abstained by the mutual funds, not taking into account how many shares the funds voted with for each resolution. Hence, CPA is looking only at the funds’ *decision* on each resolution, in the three possible options of “for, against, and abstain.”

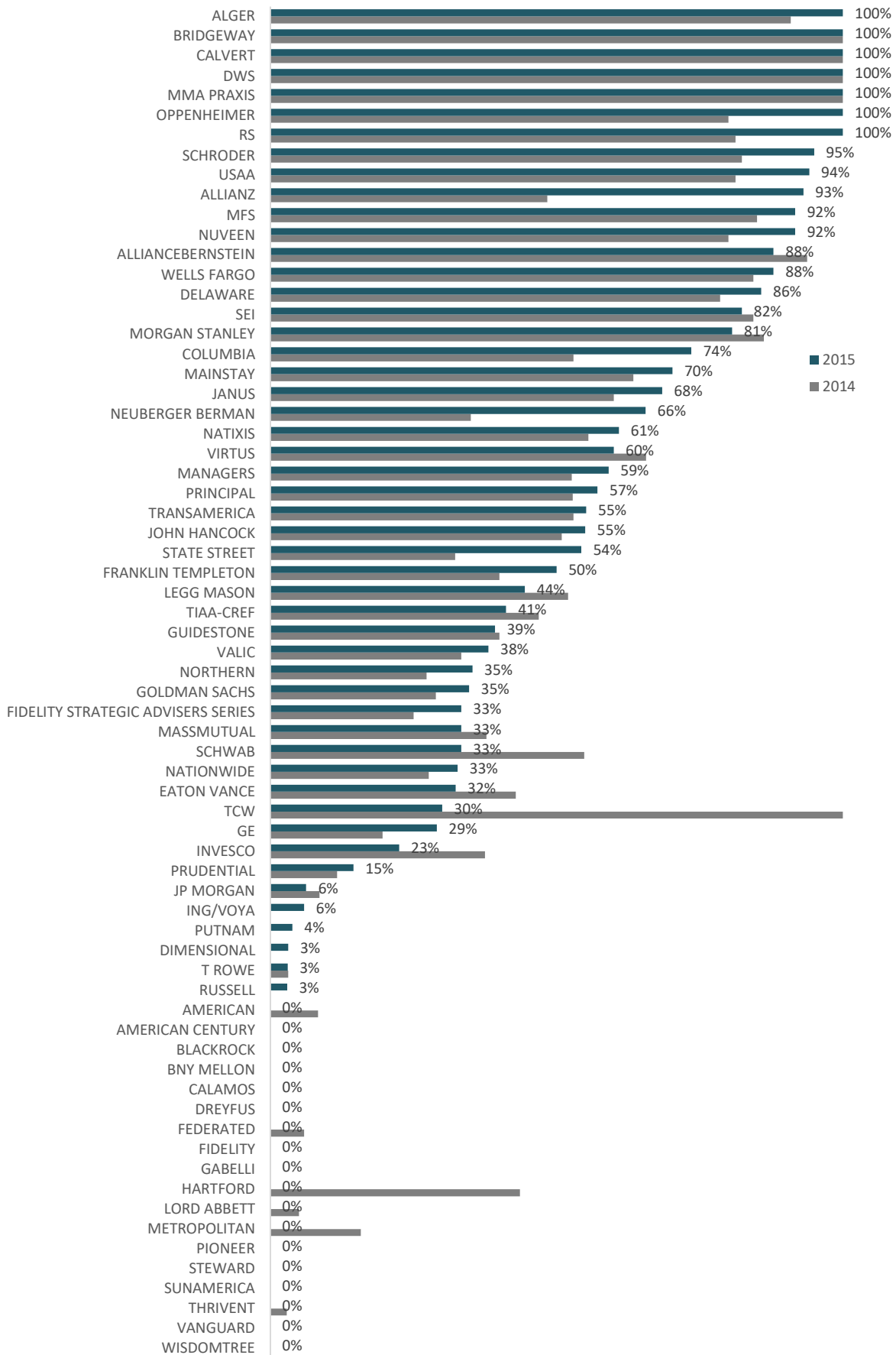
The fund groups included in the survey were selected from among those tracked by the Fund Votes project each year, where at least 10 of the model resolutions had come to vote across the constituent funds of the fund family in each of the 2014 and 2015 proxy seasons (32 and 34 resolutions, respectively).³

Key Findings:

1. In 2015, the 68 mutual fund families included in the survey supported the 34 shareholder resolutions calling for corporate political spending disclosure around 42 percent of the time, on average. Their votes on the 32 resolutions that were voted on in the 2014 proxy season also averaged just over 40 percent support.
2. Seven fund groups supported corporate political disclosure resolutions 100 percent of the time in 2015: Alger Mutual Funds (managed by Fred Alger Management, Inc.); Deutsche Funds (managed by Deutsche Asset & Wealth Management); Calvert Funds (Managed by Calvert Investments); Bridgeway; Praxis Mutual Funds, advised by Everence Capital Management; RS Funds, managed by RS Investments; and Oppenheimer Funds. In 2014, Deutsche, Bridgeway, Calvert, Praxis and TCW Funds supported all resolutions that were voted upon.
3. In 2015, 29 of the 68 mutual fund families, or 43 percent, supported corporate political disclosure at least half of the time. In 2014, 28 of the 69 fund families surveyed supported disclosure at least half of the time
4. In 2014 and 2015, mutual fund families in the survey opposed corporate political spending disclosure resolutions about half of the time: 51 percent on average across both years. Abstentions averaged 9 and 8 percent of the vote, respectively.
5. Eight mutual fund families in this study opposed every resolution voted on in the past two years. They were American Century, Blackrock, BNY Mellon, Calamos, Dreyfus, Gabelli, Steward and Wisdomtree.
6. Fidelity, Pioneer, SunAmerica and Vanguard abstained all or most of the time in 2015, while failing to support a single resolution. Pioneer and SunAmerica Asset Management abstained on all resolutions voted in 2014 and 2015.
7. Fund groups Allianz and Neuberger Berman increased their support for corporate political spending disclosure by 45 and 31 percentage points, respectively, between 2014 and 2015.
8. While 32 fund groups increased their support for political contributions disclosure resolutions, 20 decreased their support. Notable amongst the latter are Schwab, Harford and TCW, which decreased their support considerably between the two reporting periods. By contrast, Neuberger Berman and Allianz increased their support by more than 30 percent each.

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Figure 2: Mutual Fund Families Ranked by 2015 Support for Corporate Political Disclosure Resolutions



This year's survey considered 22,000 votes cast by 69 and 68 large U.S. mutual funds on 32 and 34 shareholder-sponsored resolutions voted on during the 2014 and 2015 proxy seasons, respectively.⁴

The Resolutions: Appendix I lists all 34 resolutions based on the CPA model resolution that came to vote in the 2015 proxy season. In 2015, a typical CPA-model resolution asked the company to report and update semiannually on the following:

1. *Policies and procedures for making, with corporate funds or assets, contributions and expenditures (direct or indirect) to (a) participate or intervene in any political campaign on behalf of (or in opposition to) any candidate for public office, or (b) influence the general public, or any segment thereof, with respect to an election or referendum.*
2. *Monetary and non-monetary contributions and expenditures (direct and indirect) used in the manner described in section 1 above, including:*
 - a. *The identity of the recipient as well as the amount paid to each; and*
 - b. *The title(s) of the person(s) in the Company responsible for decision-making.*

The 34 resolutions earned an average 34 percent shareholder support (counting only votes cast for and against by the general shareholder body, regardless of individual companies' vote counting methods) and were filed by a range of state-run pension funds, socially responsible asset managers, labor funds, faith-based investors and foundations. The resolution with the highest level of shareholder support in 2015 was filed at Smith & Wesson Holding Corp (SWHC), Inc. by Amalgamated Longview Bank, which is the largest union-owned bank in the US. This resolution was voted upon by shareholders on September 22, 2014, and it received 56 percent shareholder support. In addition, nine resolutions received over 40 percent shareholder support, and 24 received over 30 percent support.

Mutual funds looking to update their proxy voting policies with more specific guidance on corporate political disclosure and oversight may draw on Appendix 2 of the Conference Board's [Handbook on Corporate Political Activity](#), in which sample proxy voting guidelines are provided. In addition, CPA's one-page summary on the [key elements of meaningful corporate political disclosure](#) provides concise guidance to proxy voters as they try to determine where the gaps may lie in a company's policies and disclosure.

Data Source

This report is based on data provided by [Fund Votes](#), an independent project started in 2004 by Jackie Cook ([CookESG Research](#)). Fund Votes tracks institutional proxy voting. The database of over 60 million proxy voting decisions by large financial institutions spans 12 years of mutual fund proxy voting disclosure. The data has been indexed to facilitate analysis of investment institutions' voting patterns on a wide range of issues proposed by both management and shareholders.

⁴ In order not to overweight large companies that tend to be more widely held across fund groups' portfolios, only unique votes were counted for the survey. Where a single resolution was voted across multiple funds within a single fund family, each holding the corresponding security in their fund portfolios, only one vote is recorded against the corresponding fund family. In the case of inconsistent voting within a fund family, i.e. conflicting votes on a single resolutions, each unique fund family-vote combination is recorded. The 22,000 individual votes cast across two years' of voting by the funds of the 68 fund groups surveyed were condensed to around 5,000 unique votes.

Appendix I:

2015 Shareholder-Sponsored Political Spending Disclosure Resolutions Using CPA Model Resolution

Company	AGM	Shareholder Proponent	Support
AMAZON COM INC	10-Jun	Investor Voice on behalf of Bryce Mathern	20.28%
AT&T INC.	24-Apr	Domini	25.60%
AUTOZONE INC	18-Dec	New York City Pension Funds and Retirement Systems	34.00%
BB&T CORP	28-Apr	Massachusetts Laborers' Pension Fund	34.10%
CABOT OIL & GAS CORP	23-Apr	New York City Pension Funds and Retirement Systems	41.28%
CARDINAL HEALTH INC	05-Nov	International Brotherhood of Teamsters General Fund	41.01%
CHESAPEAKE ENERGY CORP	22-May	City of Philadelphia Public Employees Retirement System	14.85%
DANAHER CORP	07-May	Mercy Investment Services	33.30%
DARDEN RESTAURANTS INC	10-Oct	Unitarian Universalist Service Committee	35.13%
DTE ENERGY CO	07-May	New York City Pension Funds and Retirement Systems	32.63%
DUKE ENERGY CORP	07-May	Nathan Cummings Foundation	27.16%
EMERSON ELECTRIC CO	03-Feb	Trillium Asset Management	30.42%
EXPRESS SCRIPTS HOLDING CO.	06-May	New York State Common Retirement Fund	29.77%
FEDEX CORP	29-Sep	New York City Pension Funds and Retirement Systems	27.85%
FLUOR CORP	30-Apr	City of Philadelphia Public Employees Retirement System, Firefighters' Pension System of the City of Kansas City	35.89%
H&R BLOCK INC	11-Sep	New York State Common Retirement Fund	50.63%
MCKESSON CORP	30-Jul	Miami Firefighters' Relief and Pension Fund	37.57%
NEXTERA ENERGY INC	21-May	New York State Common Retirement Fund	39.57%
NISOURCE INC	12-May	New York State Common Retirement Fund	44.52%
NORTHERN TRUST CORP	21-Apr	Massachusetts Laborers' Pension Fund	28.32%
NUCOR CORP	14-May	City of Philadelphia Public Employees Retirement System	31.53%
PPL CORP	20-May	New York City Pension Funds and Retirement Systems	44.60%
RAYTHEON CO	28-May	New York State Common Retirement Fund	45.90%
RYDER SYSTEM INC	01-May	City of Philadelphia Public Employees Retirement System	39.28%
SCHWAB CHARLES CORP	13-May	New York City Pension Funds and Retirement Systems	26.41%
SMITH & WESSON HOLDING CORP	22-Sep	Amalgamated Bank's LongView Broad Market Fund	55.78%
SPECTRA ENERGY CORP.	28-Apr	Nathan Cummings Foundation	31.90%
SPRINT CORP	06-Aug	New York City Pension Funds and Retirement Systems	1.48%
TECO ENERGY INC	29-Apr	City of Philadelphia Public Employees Retirement System	34.16%
TRAVELERS COMPANIES, INC.	20-May	New York State Common Retirement Fund	34.97%
VERIZON COMMUNICATIONS INC	07-May	Domini Social Investments	31.86%
WASTE MANAGEMENT INC	12-May	New York State Common Retirement Fund	46.72%
WESTERN UNION CO	15-May	New York State Common Retirement Fund	41.47%

Appendix II: 12-Year Average Support Analysis by the Largest 40 Mutual Fund Families

Until issuance of CPA's annual mutual funds voting report in November 2014, the review of mutual fund votes looked at how 40 of the largest U.S. fund families voted on 305 shareholder requests for disclosure of corporate political contributions, filed at U.S. companies over proxy seasons from 2004 to 2013 (covering shareholder meetings from July 1, 2003 to August 31, 2013). Together, these fund families control a large portion of the shareholder vote in U.S. securities. The following graph shows the 12-year voting trend using the original set of fund families.

Figure 3: 12-year Mutual Fund Voting Trend on Political Contributions Resolutions, Using Original Set of Fund Families

