



**WHEREAS:**

Political spending and corporate money in politics is a highly contentious issue, and may expose companies to significant business risks. The risks to shareholder value are illustrated by the public controversy surrounding the use of The Dow Chemical Company (Dow)'s corporate treasury funds to defeat Proposition 37, a controversial ballot initiative in California that would have required companies to label products containing genetically modified organisms.

Dow is recognized as among the top 10 contributors to defeat Proposition 37. Dow contributed \$2 million to defeat the initiative, and is also a member of the Grocery Manufacturers Association, which spent over \$2 million to defeat the initiative. To oppose a similar initiative in Washington, the Grocery Manufacturers Association has already spent over \$7 million, and Dow has spent over \$500,000. Last year, Dow spent over \$10 million on political contributions.

Labeling of products containing genetically modified organisms is supported widely among American consumers. In a July 2013 New York Times poll, over 90% of Americans supported labeling products containing genetically modified organisms, and the California proposition received support from 48.5% of voters. Bills or ballot initiatives to require labeling of products containing genetically modified organisms continue to be introduced in highly publicized and controversial elections, drawing public scrutiny to corporate political expenditures.

Corporate political contributions risk alienating the company's consumer base and can damage corporate reputation and profits. In a Harris Poll released in October 2010, nearly half of respondents indicated that they would shop elsewhere if they learned that a business they patronized had contributed to a candidate or a cause they oppose. Many companies that contributed to anti-Prop 37 measures experienced significant consumer backlash, including boycotts.

A 2012 study of corporate political spending by Harvard Business School professor John Coates concludes that "in most industries, political activity correlates negatively with measures of shareholder power, positively with signs of agency costs, and negatively with shareholder value... Overall, the results are inconsistent with politics generally serving shareholder interests."

Given the risks and potential negative impact on shareholder value, the proponents believe Dow should adopt a policy to refrain from using treasury funds in the political process.

**THEREFORE BE IT RESOLVED:**

The shareholders request that the board of directors adopt a policy to refrain from using corporate funds to influence any political election.

**SUPPORTING STATEMENT:**

"Using corporate funds to influence any political election" for purposes of this proposal, includes any direct or indirect contribution using corporate funds that is intended to influence the outcome of an election or referendum. This includes independent expenditures, electioneering



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communications, and issue advocacy that can reasonably be interpreted as in support or opposition of a specific candidate or ballot measure. The policy should include measures, to the greatest extent practical, to prevent trade associations or non-profit corporations from channeling our company's contributions or membership dues to influence the outcome of any election or referendum.