

Fluor Corporation (FLR)

www.Fluor.com

Sector: Industrials

Summary Findings

Room for Improvement: Fluor Corporation’s publicly available information on corporate political expenditures contains significant gaps. The company has a political contributions policy on its corporate governance page that describes its guidelines for giving to individual candidates, ballot initiatives and referenda. The company does not, however, disclose its contributions to candidates, parties, and committees, or its payments to trade associations and other tax-exempt groups, such as 527 or 501(c)(4) organizations.

Recent Corporate Political Spending Developments

The 2014 election was the most expensive midterm election in history, costing \$3.77 billion. Business interests were responsible for close to half of that amount (\$1.65 billion).¹ One year into the 2016 election cycle, business has spent approximately \$655 million—more than four times as much as labor, ideological, and other groups combined.²

Companies may give directly to political candidates, committees, and parties at the state and local level.³ They may also give indirectly through third-party groups, including trade associations, super PACs, and entities organized under the sections 527 and 501(c)(4) of the Internal Revenue Service code. Contributions to super PACs are required to be reported to the FEC, but contributions to 501(c)(4) “social welfare” groups and trade associations are kept hidden. In recent election cycles, trade associations and 501(c)(4) groups have become the favored vehicles for corporate donors who wish to remain anonymous. These groups may use unlimited general purposes funds for independent expenditures without having to disclose the sources of their funds.

Following the U.S. Supreme Court decision in *Citizens United v. Federal Election Commission* (2010), undisclosed political spending has skyrocketed. Companies can now 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. Super PACs have become the primary vehicles for coordinating. Companies are still prohibited from contributing directly to federal candidates.

I. Overview of Fluor’s Political Spending Policy and Activity

Policy: Fluor Corporation has a political contributions policy stating which executives manage political contributions with corporate funds, the public policy basis for these contributions, and a detailed explanation of how the board of directors oversees the company’s political spending policies and practices.⁴ The policy says that no corporate political expenditures can be authorized by the company without the “prior approval of the Fluor Senior Vice President of

¹ <https://www.opensecrets.org/overview/blio.php>

² Ibid.

³ A total of 21 states prohibit direct contributions by corporations to candidates, while others place lesser limits. For more information, see summary provided by the National Conference of State Legislatures, available at <http://www.ncsl.org/legislatures-elections/elections/campaign-contribution-limits-overview.aspx>

⁴ Fluor Corporation Political Activities Policy, available at <http://www.fluor.com/SiteCollectionDocuments/political-activities-policy.pdf>

Government Relations.”⁵ In addition, the company has “a long-standing policy against using corporate resources for the direct funding of independent expenditures expressly advocating for or against candidates in elections for public office.”⁶ This statement leaves open the possibility of the company funding independent issue ads. The company’s policy is silent on the issue of contributions to 501(c)(4) “social welfare” organizations. Fluor requires the trade associations to which it belongs to report the portion of dues used for lobbying purposes, but does not disclose the names of or payments to these trade associations.

Disclosure: The company does not disclose its contributions to candidates, parties, and committees, or payments to trade associations and other tax-exempt groups, such as 527 or 501(c)(4) organizations.

Fluor has spent approximately \$1,889,910.19 in corporate funds on political activities since 2004, according to publicly available data.⁷ 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 Fluor has made to trade associations or other tax-exempt organizations that fund political activities. These gaps in transparency and accountability may expose the company to reputational, legal and business risks that could threaten shareholder value.⁸

Peer Comparison: A growing number of companies have adopted disclosure and oversight of their political spending. At the time of this report, 146⁹ companies, including almost half of the S&P 100, have committed to disclosure of their political spending policies, the details of the spending, and oversight.

Among sector-related companies,¹⁰ the following have committed to or currently disclose the above information pursuant to this model:

Industrials-Related Companies With Model Disclosure and Oversight		
Lockheed Martin Corp.	Cummins Inc.	Hess Corp.

II. Shareholder Engagement Overview

Fluor has received one shareholder resolution asking for disclosure and oversight of its corporate-funded political spending in 2015.

Year	Lead Shareholder	Votes in Support (Percent)
2015	City of Philadelphia	36

III. Election Cycle Spending

Fluor has contributed approximately \$840,000 to 527 groups and \$1,049,910.19 to state level recipients since the 2004 election cycle.¹¹ See Figure 1.

⁵ Fluor Corporation Political Activities Policy, available at <http://www.fluor.com/SiteCollectionDocuments/political-activities-policy.pdf>

⁶ Ibid.

⁷ See Institute for Money in State Politics, www.followthemoney.org and CQ’s Political Moneyline, <http://politicalmoneyline.cq.com/>. 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 and those made by the company PAC. Though the CPA made every effort to exclude any PAC contributions, the figure cited in this report may include contributions made with employee funds.

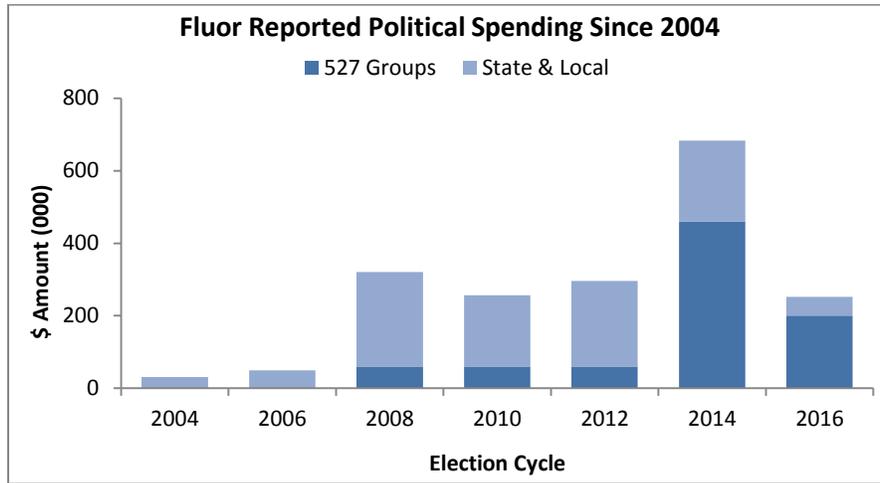
⁸ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, Feb. 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can Do*, Center for Political Accountability, May 2006.

⁹ This number only accounts for those companies that came to disclosure through an agreement on a shareholder resolution. An increasing number of companies are adopting disclosure without such process, and this number does not account for those.

¹⁰ CPA used Fluor Corp.’s 2015 Proxy Statement, accessible at <http://www.sec.gov/Archives/edgar/data/1124198/000104746915001857/a2223011zdef14a.htm>

¹¹ See Institute for Money in State Politics, www.followthemoney.org and CQ Political Moneyline <http://politicalmoneyline.cq.com/>

Figure 1



527 Spending

The Democratic and Republican Governors Associations were among the primary 527 groups in receipt of company donations during these years. Similar groups which received significant donations from the company include the Republican Attorneys General Association, the Republican State Leadership Committee, and GOPAC, a committee that trains and funds Republican activists and candidates at the state and local level. The RGA was criticized in mid-2008 for raising uncapped donations in the 2008 presidential election.¹²

527 Groups in Receipt of Fluor Corporation Funds Since 2004¹³

Group	Total Amount Contributed
Republican Governors Association	\$530,000
Democratic Governors Association	\$150,000
Republican State Leadership Committee	\$80,000
Republican Attorneys General Association	\$50,000
GOPAC	\$20,000
Democratic Party of South Carolina	\$10,000

State Level Activity

At the state level, Fluor Corporation was politically active in 16 states, including California, Virginia, and South Carolina, contributing to individual candidates, parties, and ballot measure committees. The table below lists the top state recipients.

Fluor State Level Spending Since 2004¹⁴

State	Total Amount Contributed
California	\$717,500.00
Virginia	\$531,835.19
South Carolina	\$387,250.00
Florida	\$75,500.00
Texas	\$25,000.00

¹² 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>

¹³ CQ PoliticalMoneyline, <http://politicalmoneyline.cq.com/>

¹⁴ The Institute for Money in State Politics, www.followthemoney.org/

Ballot Measures

Fluor contributed to one ballot measure committee in California since 2004. Californians Against Higher Taxes No on 56 opposed Proposition 56 which sought to allow budget and other budget-related fiscal bills to be enacted with a 55 percent vote, rather than the current two-thirds vote. The measure failed.

Fluor Contributions to Ballot Measure Committees¹⁵

Year	State	Recipient	Amount
2004	CA	Californians Against Higher Taxes No on 56	\$12,500

Independent Expenditures

The *Citizens United* decision allows corporations to fund independent expenditures using unlimited corporate treasury funds. In July 2010, the Center for Political Accountability (“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. Fluor Corporation did not respond to the letter.

Other Tax-Exempt Organizations

The *Citizens United* decision opened the way for other tax-exempt organizations to play a much more prominent role as political spenders. They include super PACs and social welfare organizations that are organized under Section 501(c)(4) of the Internal Revenue Code. These organizations can raise and spend unlimited amounts of money on political activities. Provided that less than half of their affairs are considered political, 501(c)(4) groups do not have to report their donors, and have become a major conduit for spending by individuals and organizations that do not want their involvement disclosed. For this reason, spending by 501(c)(4) groups is often referred to as “dark money.”

In the 2014 midterm election cycle, super PACs were responsible for 62 percent of the \$565 million in non-party outside spending.¹⁶ And spending by dark money organizations in 2014 surpassed that of all previous cycles. At \$174 million, dark money spending easily outpaced 2010’s previous record for a midterm election, where such spending topped out at \$135 million. It even tops the \$168.6 million spent in congressional races in 2012.¹⁷ And these figures only include dark money that was reported to the FEC; the Center for Responsive Politics estimates that dark money groups spent at least another \$100 million in the 2014 cycle on advertising that fell outside of the FEC-reporting requirements.¹⁸

An article in the Winter 2012 issue of *The Conference Board Review* warned of the dangers of such secrecy to corporations. “Some of these [c4] groups...are run by political operatives who have close ties to elected officials and who very likely share with them how companies are responding to requests for contributions..,” it said. “The situation might best be characterized as ‘public anonymity, private disclosure,’ and it leaves companies vulnerable to pressure.”¹⁹

IV. 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.

¹⁵ *Ibid.*

¹⁶ See “Outside Spending,” *Center for Responsive Politics*, available at https://www.opensecrets.org/outsidespending/fes_summ.php

¹⁷ See spending by non-disclosing groups:

<https://www.opensecrets.org/outsidespending/summ.php?cycle=2014&chrt=V&disp=O&type=U>

¹⁸ <https://www.opensecrets.org/news/2015/02/final-tally-2014s-midterm-was-most-expensive-with-fewer-donors/>

¹⁹ Bruce Freed and Karl Sandstrom, “Dangerous Terrain: How to Manage Corporate Political Spending in a Risky New Environment,” *The Conference Board Review*, Winter 2012

A complete list of the trade associations or related groups to which Fluor 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 amounts Fluor pays to trade associations annually or the portion used for the associations' political spending.

- **Business Roundtable (BRT)** [www.businessroundtable.org].²⁰ In 2014, the BRT reported dues of \$32.2 million and lobbying and political expenditures of \$14.8 million.
- **American Road & Transportation Builders Association (ARTBA)** [www.artba.org].²¹ In 2013, the ARTBA reported dues of \$5.2 million and lobbying and political expenditures of \$1.5 million.
- **Associated Builders and Contractors (ABC)** [www.abc.org].²² In 2014, ABC reported dues of \$1.2 million and lobbying and political expenditures of \$158,983.
- **National Association of Manufacturers (NAM)** [www.nam.org].²³ In 2013, the NAM reported dues of \$38 million and lobbying and political expenditures of \$9.1 million.
- **US Chamber of Commerce** [www.uschamber.com].²⁴ Fluor Corporation belongs to the U.S. Chamber of Commerce (the Chamber), which has been a major political player over the past several election cycles.²⁵ The Chamber was one of the biggest spenders in the 2014 midterm elections, spending more than \$35 million.²⁶

The following table lists the Chamber's recent political and lobbying expenditures.

U.S. Chamber of Commerce	2011	2012	2013
Reported Dues (\$ millions)	127.2	167.0	147.4
Political Expenditures (\$ millions)	0.4	53.8	3.0
Lobbying and Political Expenditures (\$ millions)	47.1	103.3	52.3
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>37.0</i>	<i>37.0</i>	<i>35.4</i>

(Source: IRS Form 990s, available at [Guidestar.org](http://www.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."²⁷ Without disclosure of such payments made by the company, shareholders cannot assess these risks.

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."²⁸

²⁰ BRT Members, available at <http://businessroundtable.org/about/members>

²¹ Fluor Corporation's trade association memberships available at <http://www.fluor.com/SiteCollectionDocuments/2014-fluor-sustainability-report.pdf>

²² *Ibid.*

²³ NAM Board of Directors, available at <http://www.nam.org/About/Board-of-Directors/>

²⁴ US Chamber Board of Directors, available at <https://www.uschamber.com/about-us/board-directors>

²⁵ Kasel, Shayla, "Show us Your Money: Halting the Use of Trade Organizations as Covert Conduits for Corporate Campaign Contributions," *Journal of Corporation Law*, Fall 2007

²⁶ Center for Responsive Politics, summary on the U.S. Chamber of Commerce, available at <http://www.opensecrets.org/outsidespending/detail.php?cmte=US+Chamber+of+Commerce>

²⁷ *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010, p.15. Available at www.politicalaccountability.net

²⁸ *Ibid.*

V. Transparency and Accountability Analysis

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*.²⁹ 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.

Industry Comparison

Cummins Inc., a peer company, has a detailed policy governing its political spending policies and provides annual reports on the company’s political contributions to candidates, parties, committees, and tax-exempt organizations such as 501(c)(4) “social welfare” or 527 groups.

Positive Practices

Fluor Corporation requires corporate political contributions to be approved by the Senior Vice President of Government Relations. In addition, the company’s board of directors oversees its corporate political spending policies and practices. Fluor also discloses the names of some of the trade associations to which it belongs.

Room for Improvement

Fluor Corporation’s publicly available information on corporate political expenditures contains significant gaps. The company does not disclose its contributions to candidates, parties, and committees, or its payments to trade associations and other tax-exempt groups, such as 527 or 501(c)(4) organizations. The company does, however, have a political contributions policy on its corporate governance page that describes its guidelines for giving to individual candidates, ballot initiatives and referenda.

CPA Checklist on Transparency & Accountability*			
Disclosure		Policy	
Contributions to state-level candidates and parties	N	Offers a dedicated webpage for political spending and disclosure	Y
Contributions to ballot initiatives	N	Policy names political entities to which the company may or not give	Y
Contributions to 527 organizations	N	Policy describes the company's public policy priorities, which may be the basis of political spending decisions	P
Direct independent expenditures	P	Policy names which senior level executive approves political spending from corporate funds	Y
Non-deductible portions of payments to trade associations	P	Board of directors has oversight of political spending	Y
Payments to tax-exempt organizations such as super PACs & 501(c)(4) groups used for political purposes	N	Semi-annual reporting of all political expenditures	N
*This checklist broadly parallels the key performance indicators used for the 2015 CPA-Zicklin Index of Corporate Political Accountability and Disclosure. Information included in here relies only on the materials offered publicly by the company's website.			

²⁹ *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010. Available at www.politicalaccountability.net