

<http://www.sec.gov/rules/petitions/2006/petn4-525.pdf>

<http://www.sec.gov/rules/petitions/2006/petn4-525.pdf#search=%22precautionary%20preference%22>

## **Action Fund Management LLC**

### **Petition 4-525**

August 30, 2006

Ms. Nancy Morris Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

Re: Request for Rulemaking to Provide American Depository Receipt Owners With Certain Traditional Shareowner Rights When Foreign Corporations Advocate On Significant U.S. Social Policy Issues Or Have Significant U.S. Social Impacts

Dear Ms. Morris,

By this petition, we request that the Securities and Exchange Commission (the "Commission") institute a rulemaking to provide owners of American Depository Receipts ("ADRs") of certain foreign issuers with the ability to exercise certain traditional shareowner rights, including the ability to vote in the election of directors, and to submit and vote on shareowner proposals. The foreign issuers that would be subject to this rule are those that engage in lobbying or other advocacy activity on significant U.S. social policy issues or those who have significant national security, economic, environmental or other social impacts on the public.

The purpose of the requested rule is to ensure that U.S. investors in certain foreign corporate issuers have the same opportunities to participate in corporate governance concerning significant social policy issues that the shareowners of domestic corporate issuers already enjoy under Commission rules.

When foreign corporate issuers significantly affect U.S. social policy, the Commission should not relegate their U.S. investors to the inequitable status of "second-class shareowners."

#### **... I. Background**

**Foreign corporate issuers are increasingly participating in significant ways in political and public policy debates in the U.S., including lobbying the federal and state governments, supporting issue advocacy groups,**

**conducting public relations campaigns and making political contributions. Foreign corporate issuers are also increasingly having significant economic, environmental and social impacts on the public.**

... BP plc states on its web site, **"We support precautionary action to limit greenhouse gas emissions even though aspects of the science are still the subject of expert debate"** and spends more than \$100 million per year running an advertising campaign in the U.S. -including regularly-appearing full-page advertisements in major daily newspapers such as the New York Times, Wall Street Journal, and Washington Post, and regularly-running television advertisements -that operates, in effect, as an advocacy campaign for global warming regulation.<sup>2</sup>

Foreign corporations also spend tens of millions of dollars annually lobbying the federal and state governments on various public policy issues.

... Foreign corporations also make significant political contributions to U.S. politicians.

**... Other foreign corporate issuers participate in various European Union regulatory processes with an eye toward "exporting" burdensome EU regulations to the U.S. that hamper the competitiveness of U.S. businesses.**

<sup>6</sup> **See e.g., Institute for Trade Standards and Sustainable Development, "Precautionary Preference: How Europe's New Regulatory Protectionism Imperils American Free Enterprise," August 2005 (<http://www.itssd.org/Press%20Release/ITSSDRevisedpressreleaseII.pdf>).**