Center for Political Accountability Newsletter April 2013

Also In This Issue

Founder's Column: Setting the Record Straight

CPA In The News -- Bloomberg, New York Times and Others

Disclosure in the News

Founder's Column: Setting the Record Straight

By Bruce Freed, CPA President

The CPA-Zicklin Index of Corporate Political Accountability and Disclosure is only two years old. For its credibility, it has already earned high marks.

The Index serves several purposes, from a template for best practices for disclosure and accountability to a neutral measure accepted by the news media and a kind of early warning system for corporations. As this newsletter reported last month, a veteran campaign finance attorney went so far as to commend the Index publicly, saying it can prove valuable for companies concerned they may be targeted over political spending disclosures.

It's not surprising, then, that

Strong Votes Last Year Lead Companies To Adopt Political Disclosure This Year

Sixteen new companies from across the corporate spectrum have adopted political disclosure and accountability so far in the 2013 proxy season, the Center for Political Accountability announced.

The latest companies included WellCare Health Plans, Inc., a health insurer; JPMorgan Chase & Co., the global financial services giant; Southwest Airlines; and Dr. Pepper Snapple Group. It brings to 117 the number of large publicly held companies that have agreed to adopt disclosure since 2003, when CPA and its shareholder partners launched their campaign.

Several of these agreements followed high shareholder votes from previous years' resolutions. For example, WellCare, which the Amalgamated Bank and the New York City Funds have engaged for the past three years, adopted transparency this year after the resolution captured 52.7 percent of total shareholder support in 2012 and 42.5 percent support in 2011.

"We commend WellCare for its responsiveness and developing a thorough and comprehensive inaugural report," said Scott Zdrazil, director of corporate governance for Amalgamated Bank, which worked to secure the WellCare agreement. He added, "We think WellCare's report is exemplary by including all payments to trade associations, all 501c4 contributions, and 501c3 organizations that write model legislation, even when the company's payments were zero."

Strong votes on shareholder resolutions last year also preceded this year's agreements struck by CenturyLink, a telecommunications provider (41.1 percent in 2012 and 34.8 percent in 2011), and Mylan, a pharmaceuticals company (34.8 percent in 2012 and not proposed in 2011).

some groups opposed to corporate political transparency are unhappy about the Index and about a continuing wave of shareholder resolutions to persuade more companies to disclose their political activity.

This month, the Wall Street Journal reported on a letter signed by the presidents of three major national business associations opposing greater disclosure, criticizing its advocates and also assailing the CPA-Zicklin Index. The criticism came from the National Association of Manufacturers, the U.S. Chamber of Commerce and the Business Roundtable.

Most of the critics' arguments aren't new. But I must clarify facts on several fronts.

First, several changes in the methodology of the Index were made between the first and second annual reports *in response to* questions and concerns raised by companies that we engaged. Companies comment regularly to CPA and we listen seriously to them.

Second, the standards and procedures in the Index initially were developed by *respected academics*. They have reviewed our work and stand by it. We seek their advice on an on-going basis.

And lastly, as the Wall Street Journal quoted me saying, the business associations "grossly misrepresent the strong support" from shareholders for persuading companies to disclose their political spending. The Center follows the Securities and Exchange Commission's method for calculating

Trillium Asset Management, LLC, which worked to secure an agreement with CenturyLink, said the company was implementing the most robust political spending disclosure in the telecommunications sector. Trillium said in its announcement: "The telecom industry is now facing critical challenges regarding its control over the free flow of information and calls for greater competition in a highly concentrated market. … As legislators, regulators and other policy leaders wrestle with those challenges, investors and the public have the right to know how corporate dollars are spent to influence the political process."

Also robust was the agreement from JPMorgan Chase, after a three-year engagement by Domini Social Investments LLC. JPMorgan Chase agreed that it would advise its trade associations not to use company money for electoral purposes, and that it would not engage 501c4 groups for the same activity.

Other companies in the latest round of agreements were Plum Creek Timber Co. and Noble Energy, both working with New York State Comptroller Thomas P. DiNapoli; Biogen-Idec Inc., working with Responsible Wealth; Lowe's Cos., working with the New York City Office of the Comptroller; and Qualcomm, the result of a lawsuit settlement with the New York State Comptroller.

For a complete list of the 16 companies with shareholder agreements mentioned in this article, please click here.

About 35 resolutions asking companies to adopt political spending transparency await shareholder votes at this time. The first of such resolutions was voted on on April 25, at Humana, with results to be released in upcoming weeks.

CPA In The News -- Bloomberg, New York Times and Others

With disclosure of secret political funding a hot national topic, the Center for Political Accountability enjoyed an intense national media spotlight in recent weeks.

A Bloomberg article on April 25, "Shareholders Force Firms to Reveal Secret Political Funds," prominently cited the Center's successful push for corporate political disclosure. In a Bloomberg TV newscast, CPA President Bruce Freed talked about shareholders' concerns and their resolutions seeking disclosure. CPA also appeared in the New York Times, the

shareholder support for resolutions, which the agency uses to determine eligibility for resubmitting resolutions. It includes only the number of votes cast for and against and excludes abstentions.

On that last point, I'd like to quote from a Bloomberg article on April 25: "Political-activity resolutions generated more shareholder votes last year than any other topic, including efforts to separate the roles of chief executive and chairman."

Notwithstanding the criticisms, the Index is now recognized as an important, objective benchmarking tool that is helping companies and investors assess how a company is handling its political spending.

Disclosure in the News

In Business Ethics magazine, Robert Ludke of Hill & Knowlton Strategies wrote that ahead of the Securities and Exchange Commission possibly enacting a disclosure rule, it is time for companies "to begin developing effective policies that meet a potential outcome of greater transparency."

Mother Jones reported about California authorities' probe of millions of dollars spent to defeat two ballot propositions. "The wide-ranging probe," it wrote, "has conservatives worried that a network of nonprofit groups used to move secret money around the country could be in for some unwanted exposure."

Nonprofit groups that pour millions of dollars into Nation and Reuters.

The Bloomberg article examined a surge in shareholder resolutions for corporate political transparency this year and investors' success in getting companies "to reveal previously confidential details of their political spending even as regulators remain deadlocked over whether to mandate such disclosures."

Bloomberg documented both the success and the sweep of disclosure efforts by CPA and allied shareholder groups. "State pension funds and activist investors are increasingly using their sway as shareholders to dislodge details about corporate political funds even if it is not required by law," Bloomberg reported.

CPA's Freed was quoted extensively, and he suggested that disclosure has in some cases been accompanied by new limits. "Companies are placing more and more walls on their political spending," Freed told Bloomberg. "Disclosure in many cases means companies are limiting what they are spending."

The story also detailed a political disclosure rulemaking petition to the Securities and Exchange Commission that has drawn a record outpouring of formal comment. Recent opposition has come from several major national business organizations and a group of 66 House Republican lawmakers.

Meanwhile, a New York Times article about the SEC petition quoted Karl Sandstrom, counsel to CPA, as saying, "I think the S.E.C. staff is very sympathetic to the petition itself, and a lot of the comments have referenced Justice [Anthony] Kennedy's opinion in Citizens United." The article noted that CPA "advocates transparency in political spending."

Lee Fang, in a Nation blog about corporate political disclosure, wrote, "To the credit of reformers, particularly the Center for Political Accountability and several investor groups, many large corporations have voluntarily adopted transparency measures."

And CPA's support for shareholder resolutions as the leading strategy to secure greater transparency in corporate political spending was noted in a Reuters commentary by Alison Frankel, examining litigation and regulatory approaches.

supporting political candidates while failing to disclose their expenditures are the subject of heightened scrutiny, including planned Senate subcommittee hearings, according to a Bloomberg article.

In addition, the Internal Revenue Service is asking 1,300 nonprofit groups to answer questions about their activities, and to say whether they have engaged in political activity, Bloomberg reported.

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