

CPA Newsletter - March 2014: Hess, 2 Other Companies Adopt Political Disclosure

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**March 2014**  
**Spotlight on CPA**



## Thank You Manhattan Institute for Promoting Corporate Political Disclosure

Founder's Column  
By Bruce Freed

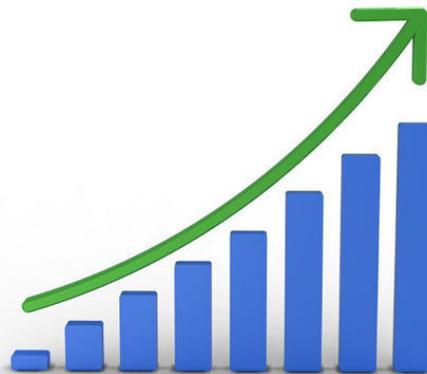
The Manhattan Institute for Policy Research and other top defenders of secret political spending are trying once again to discredit the Center for Political Accountability and our allies and corporate political disclosure. Their latest broadside was unveiled in a webinar for representatives of leading U.S. corporations.

The March 7 discussion was devoted to "Shareholder Activism Concerning Corporate Spending Disclosures." After seeing [the slides](#) used for the webinar, I wondered what the sponsors may be trying to hide.

Their tactics hint of desperation. They repackage misrepresentations we have seen before, that CPA allegedly plays fast and loose with the facts and seeks to remove America's business community from the public policy debate.

## Hess, 2 Other Companies Adopt Political Disclosure

### Number of Agreement Companies Hits 125



Voluntary action by three U.S.-based companies -- including global oil Hess Corp. -- has boosted to 125 the number of publicly held corporations adopting political disclosure and accountability policies.

In addition to Hess, a member of the Fortune 100, the latest companies adopting transparency policies were Fifth Third Bancorp., a regional banking company, and DENTSPLY International Inc., a dental equipment maker.

"The companies' actions reflect increasing acceptance of transparency in boardrooms across corporate sectors," Center for Political Accountability President Bruce Freed said.

Hess Corp. committed to fully disclose its trade association memberships and other tax-exempt organizations to which it contributes, as well as the portion of those payments that are used for political activities, said Trillium Asset Management.

Hess agreed to the disclosure policy after two years' consecutive engagement by Trillium, and Trillium's identifying in its proxy season 2103 resolution an "accountability gap" at Hess, whereby the company said it didn't make corporate contributions with political funds but public records showed otherwise.

A year later, shareholders apprised Hess of new contributions that contradicted its policy. Hess acknowledged in 2013 that some employees had made contributions using corporate funds in 2012 "against our policy" and that it was stepping up efforts to educate its employees about the policy.

## (((BREAKING NEWS))) SEC Commissioner Calls for Restricting Proxy Resolutions

The Securities and Exchange Commission's proxy-proposal rules need overhauling, SEC Commission Daniel Gallagher said in a [speech in New Orleans](#) on March 27, and he took special aim at proposals for disclosure of political contributions or lobbying activities.

"These proposals are not coming from ordinary shareholders concerned with promoting shareholder value for all investors," Gallagher said. Rather, he said, "the vast majority of proposals are brought by individuals or institutions with idiosyncratic and often political agendas that are often unrelated to, or in conflict with, the interests of other shareholders."

## Update: Corporate Political Accountability Course Planned for Spring 2015



An initiative to integrate the teaching of corporate political accountability into the curricula of business schools and schools of

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Total bunk. (See our [refutation](#) of earlier Manhattan Institute criticisms.) Then comes a single slide that may be speak volumes about our critics' motivations.

It is entitled "The Slippery Slope." The slide asks, "If activists win this argument – what's next?" It lists these "demands" that shareholder might make of corporations: for disclosure of U.S. jobs "exported" overseas; for greater disclosure of public policy expenditures; for disclosure of "business done with/in countries labeled human rights violators by State Dept."; and for disclosure of all "ex-US facilities that do not comply with US environmental and labor standards."

An e-mailed invitation to participate in the webinar was sent out over the name of Lisa Rickard. She's an executive vice president of the U.S. Chamber of Commerce, and she leads the Chamber's Institute for Legal Reform. Webinar panel participants included Brian Cartwright, former Securities and Exchange Commission general counsel; Andrew Pincus, partner, Mayer Brown; and James Copland of the Manhattan Institute.

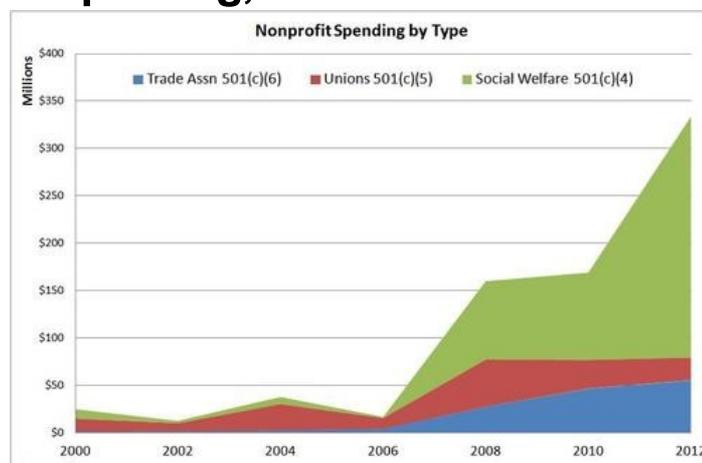
Thank you, Manhattan Institute and the U.S. Chamber of Commerce. If our work were not effective, there would be no need to push back. We appreciate your spotlighting our work, help raising the profile of the Center for Political Accountability and highlighting the steady growth of corporate political disclosure.

The proposal submitted by Trillium for 2013 received 46 percent in overall shareholder support. "We congratulate Hess for adopting transparency after acknowledging gaps between corporate policy and actual practices," Freed said.

He also said Hess's action mirrored a recent pattern of companies adopting political disclosure and accountability following strong shareholder votes on proxy resolutions advocating the same goals.

A shareholder resolution at Fifth Third Bancorp was withdrawn by First Affirmative Financial Network, LLC after Fifth Third announced its agreement. A resolution at DENTSPLY International was withdrawn by Mercy Investment Services, Inc. after DENTSPLY announced its agreement.

## Secret Political Spending is Exploding, Amid New Channels



The gangbusters expansion rate of secret political spending, dizzying new channels to disguise such spending and a high-profile instance of secret spending behind a political scandal were spelled out in several news media reports in March.

"Taken together, the reports underscored the urgent importance of corporate political disclosure in order for company shareholders to avoid risk," Center for Political Accountability President Bruce Freed said. Here are the media reports:

- Tax-exempt, nonprofit 501(c)(4) and 501(c)(6) groups that do not identify their donors have increased campaign spending more than 5000 percent from \$5.8 million in 2003-04 to \$310.8 million in 2011-12, analyst Thomas Edsall wrote in a [New York Times op-ed](#).
- A [Pro Publica article](#) about the Koch brothers' network of nonprofits for political spending said, "Obscure limited liability companies have ultimate say over the ... nonprofits, which spend hundreds of millions of dollars to advance conservative causes" while hiding the donors' identities.
- At CQ Weekly, Eliza Newlin Carney reported that LLCs, "which face virtually no disclosure or campaign finance restrictions, will be the next 'dark money' vehicle of choice," according to some tax experts.
- An investigation found that a successful candidate for Utah attorney general had pledged to defend the interests of wealthy corporate backers if elected; nonprofit groups were used to hide the "big money [that] sluices into campaigns behind a veil of secrecy," [New York Times](#) reporter Nicholas Confessore wrote. The Utah official quit less than a year after his election.

schools and schools of management is advancing. The initiative was the idea of Prof. William S. Laufer of The Wharton School of the University of Pennsylvania and is being developed by Prof. Bruce Buchanan of New York University's Stern School of Business.

Four leading business and law schools joined with the Center for Political Accountability to announce the effort last year. Now Prof. Buchanan has announced the course's rollout in Spring 2015 at the Stern School. A working group of business and law school professors is developing the course in conjunction with CPA.

The course in Corporate Political Engagement will serve as a model from which an online version will be developed, Prof. Buchanan said.

The Stern School has committed to hold a second biennial conference on Corporate Political Engagement at the school in February 2015, he said. The course plan will be presented at the conference.

In addition to CPA and the Stern School, sponsoring institutions for the initiative are The Wharton School's Zicklin Center for Business Ethics Research at the University of Pennsylvania, Baruch College's Zicklin School of Business, and the Ira Millstein Center for Global Markets and Corporate Ownership at Columbia Law School.

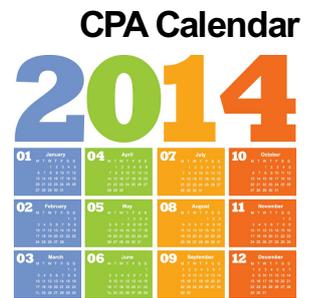
## CPA



On March 5, [Roll Call's Political Money Line blog](#) discussed Honda North America's recent adoption of a political disclosure policy and CPA's evaluation of it (see [February Spotlight on CPA](#) for background).

[Corporate Secretary](#) magazine carried an article in its March edition

on the upcoming proxy season and a proliferation of political disclosure resolutions. The article also mentioned the 2013 CPA-Zicklin Index and its findings about an increase in the number of companies adopting strong political disclosure policies.



For the second consecutive year, CPA President Bruce Freed will address the national conference of the Society of Corporate Secretaries and Governance Professionals. He will speak in Boston on June 26. Presenting an alternate view at the event will be Paul Atkins, a former Securities and Exchange Commission member.

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