



On AlJazeera America, Support for Political Disclosure in Tech Industry

With the nation focused on the ballot box, Al Jazeera America informed viewers on Election Day about the drive for corporate political transparency, the Center for Political Accountability, and lower scores for the technology industry's transparency practices.

An adviser to technology companies who jointly appeared with CPA President Bruce Freed on Al Jazeera's "The Stream" voiced agreement with the merits of corporate political transparency and offered opinions why the technology industry may be lagging.

Julie Samuels is executive director of Engine, a nonprofit focused on technology entrepreneurship and giving startups a seat at the table in policy debates. She was asked on "The Stream" why the technology industry has received some low marks for political transparency, including from the 2014 CPA-Zicklin Index of Political Disclosure and Accountability.

The technology industry is largely new to the political process, Samuels said, and when a company doesn't know the ropes its reflexive instinct may often be "Let's just not tell." Samuels said she didn't endorse that approach, and she fundamentally agreed with Freed about the importance of companies disclosing their political spending.

Samuels suggested that some companies with a socially liberal culture find it necessary to contribute "for business reasons" in support of a candidate who may not share such values. These companies in turn may reject transparency "to protect themselves from their own employees," she said. Samuels urged them to change.

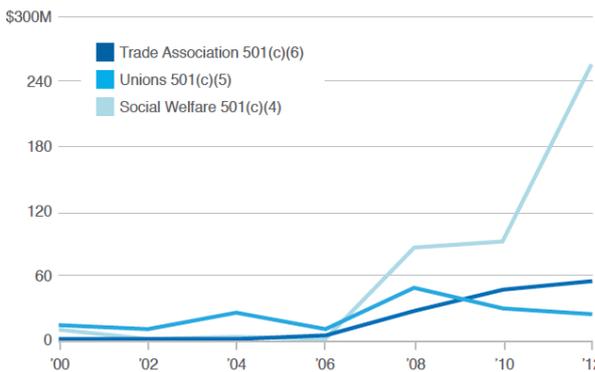
The U.S. Chamber of Commerce has denounced the drive for corporate political disclosure as a campaign to muzzle American business. When asked about the Chamber's views, Freed replied, "Companies see disclosure as part of good governance." He added, "The Chamber of Commerce argument doesn't really wash when it comes to what companies are doing."

Misaligned Company Spending Highlighted by Mother Jones



At Least \$57 Million in Company Trade Association Payments Disclosed, Companies Adopting C4 Contribution Policies

Figure 1. 501 (c) Spending, Cycle Totals, by Type



Source: Center for Responsive Politics, "Outside Spending by Disclosure, Excluding Party Committees," June 4, 2014.

Even as "dark money" political spending surged in the 2014 elections, the Center for Political Accountability announced major advances in disclosing political spending by corporations.

"We're making big strides in bringing sunlight to corporate political spending, and there's momentum for this effort at a critical time," said Bruce F. Freed, CPA president. "The veil is pulled back on the scale and content of companies' political spending. Shareholders seeking to reduce their risk can begin to follow the money."

According to figures compiled by CPA, companies have disclosed at least \$57 million in previously hidden payments to six leading politically active trade associations over the past two election cycles. The payments were non-deductible and a substantial amount was used for political spending. The associations are the U.S. Chamber of Commerce, Pharmaceutical Research and Manufacturers of America, America's Health Insurance Plans, the National Association of Manufacturers, the Business Roundtable and the American Chemistry Council.

In addition, 108 companies have adopted policies on political contributions to secretive 501(c)(4) "social welfare" organizations. The policies include disclosing these contributions; eschewing them; exercising board oversight; or restricting the recipient groups from using these payments for political purposes. These groups are a key conduit for "dark money" political spending.

And as the 2014 proxy season winds down, shareholder resolutions for corporate political disclosure and accountability have captured sustained support. After a new agreement was reached, the number of publicly held corporations adopting political disclosure and accountability policies climbed to 129.

Intuit was the latest company to adopt a transparency agreement. After Intuit announced its agreement, a shareholder resolution was withdrawn by Clean Yield Asset Management.

With a projected price tag approaching \$4 billion for the 2014 elections, "dark money" political spending surged to at least \$219 million, according to the Center for Responsive Politics. This secretive spending by groups that don't disclose all or some of their donors soared to new levels from \$160.8 million in 2010.

The way that nonprofit groups can be used to conceal donors while engaging in nasty hardball political tactics was illustrated in a pre-election New York



Study Finds Mutual Funds' Support for Corporate Political Disclosure Greater Than Previously Reported

An expanded analysis of how mutual funds vote on corporate political disclosure shows higher support than previously reported, according to the Center for Political Accountability.

Where the annual review previously focused on 40 large mutual fund families, this year's review considered the voting records in the past two proxy seasons of 100 of the largest mutual fund families, 69 of which cast at least 10 unique votes. That means the funds held at least 10 companies where the resolution went to vote.

The 69 fund families supported corporate political disclosure at least 41 percent of the time in 2014, on average. That compared with an average of 44 percent in 2013. CPA's prior analyses of voting by far fewer fund families-- 40 of the largest mutual fund families -- had shown average support levels in the 30-percent range.

The 69 fund families manage more than \$10 trillion in assets and around \$4.3 trillion in U.S. securities, according to Morningstar® fund data. They control a significant portion of the shareholder vote.

According to the report, five fund groups supported corporate political disclosure resolutions one hundred percent of the time in 2014. They were State Street (IAM SHARES Fund), Praxis Mutual Funds, DWS Investments, Calvert Investments, and Bridgeway.

The CPA report was based on data provided by Fund Votes, an independent project begun in 2004. It tracks mutual fund proxy voting in the United States and Canada.

CPA Addresses Wharton Executive Education Program



When the Wharton School of Business at the University of Pennsylvania recently convened an Executive Education program, it invited CPA



What happens if companies make political payments that end up supporting activities seemingly misaligned with stated company policies and values? Andy Kroll writes a [Mother Jones article](#) about large-company payments to the Republican State Leadership Committee (RSLC) and that organization's redistricting efforts in the states. "At the same time these big-name firms underwrite the RSLC's efforts to dilute the power of black voters," the article says, "many of them preach the values of diversity and inclusion on their websites and in corporate reports."

[Times article](#). It told about a Washington political consultant whose speech to a friendly energy industry audience was recorded secretly.

"People always ask me one question all the time: 'How do I know that I won't be found out as a supporter of what you're doing?' " Richard Berman said. "We run all of this stuff through nonprofit organizations that are insulated from having to disclose donors. There is total anonymity. People don't know who supports us."

N.Y. Times, SEC Commissioner, Scholars Debate Disclosure Rule



The Securities and Exchange Commission has not considered a petition for a rule to require corporate political disclosure, and its failure to do so is stirring up debate. The petition is strongly supported by the Center for Political Accountability.

On Oct. 30, a [New York Times editorial](#) supported the proposed rule and chastised the SEC for failing to take it up. Commissioner Daniel M. Gallagher, a Republican commissioner, then wrote [letter to the editor](#) insisting the SEC should never even consider the rule. In rebuttal, two professors who had helped draft the petition defended it, challenged Gallagher's reasoning and said a rule would be quite consistent with past SEC actions.

The Times editorial equated corporate political disclosure and good corporate governance. That conclusion is a foundation of CPA's effort for disclosure.

"Basic investor protection requires that shareholders know how corporate money is spent. Good corporate governance requires executives to be transparent about their use of company cash. Ignoring the need for disclosure of political spending won't make the need go away. It only makes the S.E.C. complicit in the corrupting system of unlimited campaign donations from unnamed donors," the editorial said.

Gallagher replied that shareholders "don't care" about corporate political disclosure. He asserted that shareholder votes on disclosure resolutions provide proof. They have registered well under 50 percent support. Jackson and Bebchuk dug into history and said in a [Harvard Law School blog post](#) that "SEC's longstanding practice has been to expand its disclosure requirements in light of shareholder proposals that have significant support—even when the levels of support were substantially lower than the support recently received by proposals related to political spending."

"Thus," the professors wrote, "the claim that the level of support for shareholder proposals in this area provides a good reason for opposing SEC rules requiring disclosure ... has no basis in the SEC's historical or recent approach to developing its disclosure rules. Indeed, thus far, opponents of such rules have utterly failed to provide a basis for avoiding an examination of the subject on the merits."

an Executive Education program, invited CPA President Bruce Freed to talk to compliance officers about Business Ethics in the Financial Industry.

Freed discussed on Nov. 3 the changed regulatory landscape for corporate spending on politics since the Supreme Court's *Citizens United* ruling in 2010, and the kinds of ethics and risk issues that increasingly face business executives.

With Wharton's Professor William S. Laufer, a member of the CPA Board of Directors, Freed presented several political activity business "dilemmas" or case studies to the participants and asked their thinking about how to proceed.

Among the case study questions he posed were: "What policies and procedures are needed for disclosing, managing and overseeing companies' political spending?" "What do your company's employees and management need to know?" And "Where do you fit in? How should you be involved?"

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