

AGENDA

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GE Opens Its Books on Political Spending

By [Tony Chapelle](#) January 11, 2019

On Tuesday, **General Electric** announced it would become more transparent — starting this month — by disclosing any contributions it makes to so-called social welfare organizations. That’s a category of nonprofit groups that often sponsors campaign outreach and political attack ads. In addition, GE pledged to announce when it contributes any dues or payments of \$50,000 or more to trade associations in a year. That’s down from its previous \$100,000 trigger.

GE agreed to the array of new policies as a result of a shareholder resolution, followed by negotiations with a corporate-spending transparency group, **Investor Voice**. That organization was backed by New York state comptroller **Thomas DiNapoli** and political-spending watchdog the **Center for Political Accountability** (CPA).

Companies that Improved Disclosure the Most

These 8 companies made the biggest jumps in explaining their political spending between 2017 and 2018, according to the Center for Political Accountability.

	2018 score	2017 score
Public Storage	94.3	8.6
United Rentals Inc.	78.6	0
Regeneron Pharmaceuticals Inc.	81.4	4.3
Franklin Resources Inc.	80	4.3
Xcel Energy Inc.	80	5.7
Quest Diagnostics Inc.	75.7	15.7
BorgWarner Inc.	57.1	5.7
Lincoln National Corp.	88.6	37.1

Source: Center for Political Accountability

Investor Voice and a related money management firm, **Newground Social Investment**, filed the resolution asking for GE to spill more about its spending in September. By December, GE “responded in a good way,” says **Bruce Herbert**, CEO of Newground. Indeed, in its Jan. 5 agreement letter, GE general counsel **Brian Sandstrom** closed by writing, “Thank you for your willingness to engage in a dialogue on these matters.”

A company spokesperson sent *Agenda* an e-mailed statement saying, “GE is pleased to build on our robust record of transparency and compliance in disclosing political contributions and other expenses. We appreciate the constructive dialogue that we were able to hold with Investor Voice, the State of New York and the Center for Political Accountability on this issue.”

Social welfare organizations and trade associations are considered “dark-money” channels. A company can donate directly to one of these groups, which pools money from various sources, and that organization can, in turn, make direct politically related payments that it need not disclose. Corporations, on the other hand, have to disclose direct election-related contributions.

Trade association recipients include the **U.S. Chamber of Commerce** and the **National Association of Manufacturers**. The U.S. Chamber, for example, spends about \$30 million on ads to political committees supporting or opposing candidates each election cycle.

Last year, GE had a score of 80 under the Center for Public Accountability’s CPA-Zicklin Index, a measure created in conjunction with the Zicklin Center for Business Ethics Research at the **University of Pennsylvania**. “That was pretty good,” says Bruce Freed, president of CPA. He explains, however, that the score would have been higher had GE not had such a high threshold for its annual disclosure of its non-tax-deductible payments to trade associations.

In fact, a search of the CPA’s database resource, “**What Does Your Company Spend?**” found that GE didn’t disclose any payments in 2014 or 2015 to trade associations or social welfare organizations — which are also known by their name in the Internal Revenue Code, 501(c)(4)s. Freed says that’s likely because GE’s previous annual aggregate payment threshold to disclose, which was \$100,000, was so high that the company’s payments never reached the disclosure point. “[Actually, however,] no disclosure is required for a company’s trade association payments or contributions to 501c(4)s. That’s why we say this [threshold level] of disclosure is opening up the door to dark money,” Freed emphasizes.

Herbert of Investor Voice says setting a “de minimis” threshold level of \$50,000 allows for corporations to make reasonable contributions to educational groups to advance an industry’s non-political aims. “It’s when the larger dollar amounts really start to flow that the possibility arises that not all of that is going to keep the lights on but for election purposes.” He claims that his group and other advocates of transparency might consider asking companies to set lower thresholds in the future.

DiNapoli, who is also sole trustee of the state public employee retirement fund, applauded GE for meeting shareholders' demand without having to hold a shareholder vote.

"We think it's the responsible path to take. In the wake of Citizens United, you could debate whether there should be any corporate political spending at all, but if they are doing it, we think that we should, as investors, be entitled to know where the money is being spent.

"It's important from a transparency perspective for shareholders to know about the types of contributions that are being made so that we know whether they're viable for the long-term sustainability of the companies we invest with. For GE, as a big brand-name company, to improve its disclosure of political spending is very significant and sends a message to other corporations to step up and do the responsible thing as well."

DiNapoli suggested that he and other partners such as CPA, Newground and others are considering priorities for the 2019 proxy season. He said his office would announce those "in a matter of weeks."

According to CPA, less than half (45%) of the companies that have stayed in the S&P 500 since 2015 disclosed last year that they will not spend corporate money for at least one category of election contributions, and the figure continues to rise. In 2017, it was 38% and in 2016, 34%.