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Company Embrace of Political Disclosure and Accountability Keeps Growing During Trump Presidency, Study Shows

WASHINGTON – Public corporations in the United States are increasingly recognizing a need for greater sunlight, board oversight, and carefully considered restrictions on their political spending, according to a non-partisan study released today by the Center for Political Accountability and the Zicklin Center for Business Ethics Research at The Wharton School at the University of Pennsylvania.

The study finds that the number of public companies voluntarily adopting political disclosure and accountability measures has continued to increase in the first year of the Trump administration and that numerous companies have strengthened their transparency and oversight programs.

Data reflecting these ongoing trends are found in the 7th annual CPA-Zicklin Index of Corporate Political Disclosure and Accountability, issued by the Center for Political Accountability in conjunction with the Carol and Lawrence Zicklin Center for Business Ethics Research at The Wharton School.

According to the Index, 50 companies in the S&P 500 received the highest scores for political disclosure and accountability of 90 percent or above, up from 41 in 2016 and 28 in 2015. These 50 “Trendsetter” companies spanned all sectors of the U.S. economy.

Nine companies were rated “most improved” for their scores that were at least 50 points higher than a year earlier. And 158 companies – almost one-third of the S&P 500 – placed some level of restriction on their election-related spending, compared with 143 companies in 2016 and 124 companies in 2015.

For the first time, the Index also examines the practices and policies of the S&P 500 across three consecutive years. According to the Index, there has been a consistent and uninterrupted upward trend in the number of companies with some form of board oversight of corporate political spending. That number increased for review of direct political contributions and expenditures to 194 in 2017 from 189 in 2016 and 169 in 2015. For review of trade association payments, the number increased to 156 in 2017 from 147 in 2016 and 121 in 2015.

A yearly benchmarking study launched in 2011, the Index is a helpful resource for shareholders and business leaders interested in finding out which public companies are best and worst at transparency. The study has gained wide acceptance in a time of blockbuster political spending and controversy over anonymous “dark money” contributions.

“In this volatile political environment, it’s promising that more public companies are adopting sunlight and accountability policies,” said Bruce Freed, CPA president. “The 2017 Index leaves no doubt that when Congress and regulators are gridlocked, a voluntary approach to corporate political disclosure is the best game in town and that companies increasingly see this as a standard practice.”

“Inspired by many promises of a new era in deregulation, corporations are increasingly turning to best practices in self-policing, self-regulation, and self-governance,” according to William S. Laufer, director of the Zicklin Center at Wharton. “The CPA-Zicklin Index reflects and inspires best practices in corporate political disclosure and accountability in the absence of a formal legal mandate. Companies that consistently score high on the CPA-Zicklin Index are the new benchmarks in the power of private ordering.”

Data from the 2017 Index, which is based on a survey of information publicly available on company websites, will be added to the TrackYourCompany.org database maintained by CPA. Here are key details and other central findings from the 2017 Index:

TRENDSETTER COMPANIES: Becton, Dickinson and Co. received a first-place rating of 100 percent for 2017. The other companies receiving a Trendsetter designation were Edison International; Edwards Lifesciences Corp.; HP Inc.; Noble Energy Inc.; PG&E Corp.; Sempra Energy; State Street Corp.; Microsoft Corp.; Morgan Stanley; Unum Group; United Parcel Service Inc.; Altria Group Inc.; Ameren Corp.; American International Group Inc.; Capital One Financial Corp.; eBay Inc.; Express Scripts Inc.; Intel Corp.; International Paper Co.; JPMorgan Chase & Co.; McKesson Corp.; Norfolk Southern Corp.; Symantec Corp.; Visa Inc.; Wells Fargo & Co.; Apache Corp.; AFLAC Inc.; Bank of America Corp.; Biogen Inc.; General Mills Inc.; Intuit Inc.; Bank of New York Mellon Corp.; Bristol Myers Squibb Co.; Celgene Corp.; CVS Health Corp.; Exelon Corp.; Tiffany & Co.; U.S. Bancorp; Union Pacific Corp.; United Technologies Corp.; Monsanto Co.; AbbVie Inc.; Boeing Co.; Merck & Co. Inc.; Qualcomm Inc.; Time Warner Inc.; Texas Instruments Inc.; Coca-Cola Co.; and Humana Inc.

MORE TOP-TIER COMPANIES: The number of companies that scored in the first tier (80 to 100 percent) and second tier (60 to 79.9 percent) increased to 188 this year from 180 in 2016 and 141 in 2015.

SHAREHOLDER ENGAGEMENT RESULTS IN HIGHER SCORES: Between 2015 and 2017, the Index found a strong correlation between shareholder engagement of S&P 500 companies and their political disclosure and accountability scores. Companies with the highest scores tended to have reached agreements with shareholders on political disclosure while companies with the lowest scores had not been engaged.

MORE DISCLOSE OR PROHIBITION OF PAYMENTS TO 501(c)(4)s: Of the 429 companies included in the Index for the past three years, the number of companies that disclose payments to so-called “social welfare” organizations – a key source of “dark money” spending in American politics – or that prohibit such contributions has increased sizably from 83 to 117 companies.

The 2017 Index was made public at a time of continuing debate over campaign finance disclosure and government regulation. A petition asking the U.S. Securities and Exchange Commission to require corporate political disclosure has received more than one million letters of support but has not gotten any traction, and disclosure legislation has not advanced in Congress.

The voluntary approach, called “private ordering” in academic circles, is gaining heightened attention for its potential impact. In a forthcoming law review article, University of Wisconsin law professor Robert Yablon confirmed that in recent years, “corporations have made especially visible strides toward voluntary campaign finance disclosure, often after a nudge from shareholders and advocacy groups.”

A foreword to the 2017 Index by CPA Board Member Daniel Bross, recently retired from Microsoft, speaks to the corporate governance values of this approach.

“America’s leading companies are speaking out on issues central to their values, fundamental to business success and rooted in a commitment to enhancing global sustainability,” Bross writes. “Yet it is important that companies continue to fulfill their responsibility to adopt and advance strong corporate governance policies and practices for participation in the political process. These issues speak definitively to the character of a corporation – and its leaders – in the 21st century.”

The 2017 CPA-Zicklin Index is available by clicking here.

CPA is a non-profit, non-partisan organization created in November 2003 to bring transparency and accountability to corporate political spending. The Zicklin Center for Business Ethics Research at The Wharton School sponsors and disseminates leading edge research on critical topics in business ethics.

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