



Center for Political Accountability Newsletter

September 2011

Also In This Issue

[Founder's Column:
Enhanced Impact: CED
Incorporates CPA's
Political Disclosure
Agenda as Part of Its
Proposed Reforms](#)

[Brookings' Thomas
Mann to Keynote C-Z
Index Announcement
at The Wharton School
in Philadelphia on Oct.
28](#)

[CPA, Partners Send
Open Letter to 423
Non-Disclosing
Companies](#)

[SEC Receives
Comments on
Disclosure Petition](#)

[CPA In the News](#)

[Founder's Column:](#)

**Enhanced Impact:
CED Incorporates
CPA's Political
Disclosure Agenda**

Brookings' Thomas Mann to Keynote C-Z Index Announcement at The Wharton School in Philadelphia on Oct. 28

Thomas E. Mann, W. Averell Harriman Chair and Senior Fellow at The Brookings Institution, will deliver keynote remarks at the Oct. 28 announcement of the C-Z Corporate Political Disclosure and Accountability Index at the University of Pennsylvania's Wharton School, in Philadelphia.

The Index will present the first comprehensive portrait of how companies engage in, manage and oversee political spending. It will show that a growing number of top companies recognize the risks posed by political spending and are taking a range of steps to deal with these risks. The findings will be valuable to journalists, investors and the public in assessing company political engagement as the 2012 election season begins in earnest.

Mann writes and speaks widely on issues related to campaigns, elections, campaign finance reform and the effectiveness of Congress. Mann recently co-authored *The Broken Branch: How Congress Is Failing America and How to Get It Back on Track*.

Two companies, Exelon and Merck, will be represented on a business panel that will follow a presentation about the Index findings. The panel will showcase companies that have adopted political disclosure and provided leadership on the issue.

Also speaking will be CPA board member William S. Laufer, Julian Aresty Professor at The Wharton School and former director of its Zicklin Center for Business Ethics

as Part of Its Proposed Reforms

*by Bruce Freed, President
Center for Political
Accountability*

In a new campaign launched this month, the Committee for Economic Development resoundingly endorsed the importance of board oversight and disclosure of corporate political spending.

We are grateful for CED incorporating the Center for Political Accountability's political transparency and accountability agenda as part of its reform agenda.

As the nation approaches the 2012 presidential election year, CPA's agenda is not just underscored when allied groups incorporate it. The CPA agenda is amplified.

The Committee for Economic Development is a nonpartisan organization comprised of more than 200 business executives and university presidents. Announcing its new campaign Sept. 26, CED urged corporations "to refuse to participate in the unlimited corporate campaign spending free-for-all" made possible by Citizens United, and if they do spend politically, to practice board oversight and public disclosure.

"Corporate America can

Research, who suggested the Index in the summer of 2009. Joining him will be CPA board member Peter Kinder, former president of KLD Research & Analytics, who helped develop the indicators used in evaluating company policies and practices. He will make comments about the C-Z Index.

CPA, Partners Send Open Letter to 423 Non-Disclosing Companies

The Center for Political Accountability and its shareholder partners are urging 423 companies to adopt political spending disclosure and accountability before the 2012 proxy season -- and thereby avoid facing a possible shareholder resolution.

The Supreme Court's Citizens United decision in 2010 lifted all but a handful of restraints on corporate political spending. It has caused new challenges for companies and has imparted a special urgency to the request, CPA President Bruce F. Freed and 17 shareholder partners said in a Sept. 21 letter:

"We are particularly concerned by heightened pressures companies face to support candidates, groups and causes whose positions and activities could threaten corporate reputation, bottom line and shareholder value. We are also concerned about the risks posed by the rise of secretive third party groups as conduits for political spending."

The letter encouraged chief executive officers to "join the 88 major companies that have demonstrated leadership by disclosing the details of their spending and implementing board oversight of political spending made with corporate funds." All S&P 500 companies that have not embraced oversight and transparency received the letter.

The letter mentioned increasing shareholder support for proxy resolutions that seek disclosure and accountability, and The Conference Board's recognition of the risk posed by corporate political spending. To help companies manage and oversee their political spending with corporate funds, The Conference Board published a Handbook on Corporate Political Activity last year.

SEC Receives Comments

take the lead in the corporate campaign spending crisis by sending one message to every business, big and small: 'Don't Give, But If You Do, Disclose,'" said CED President Charles Kolb.

One of three reports issued by CED was entitled "After Citizens United: Improving Political Accountability in Campaign Finance." Echoing CPA principles, the report warned of intensifying pressure on corporations for political contributions and expenditures. It also spotlighted the risks posed by this spending:

"Political competition entails an inherent risk that companies will be drawn into a political spending arms race, with no clear end in sight."

"Political activity also exposes companies to substantial reputational and legal risks that endanger enterprise and shareholder value."

The report closed with acknowledgments to The Conference Board for its Handbook on Corporate Political Activity that CPA co-authored last year, and to CPA as a resource for approaches that companies have taken to ensure accountability and transparency of political spending from their

on Disclosure Petition

The International Corporate Governance Network, a global organization aimed at raising corporate governance standards, called on the Securities and Exchange Commission to require public companies to disclose their political spending.

In August, a group of legal academics submitted a petition to the SEC advocating a corporate political disclosure rule. The petition cited investors' increasing desire for disclosure and companies' voluntary adoption of disclosure policies in response (see [July-August CPA Newsletter](#)). On Aug. 10, ICGN endorsed the petition:

"The ICGN recognizes that corporate political activity can be positive. However when corporate resources are deployed to seek political influence there is also potential for abuse. In the extreme this can lead to serious breaches of business ethics, particularly when influence is sought through corrupt practices or in ways that are not consistent with promoting the long-term interests of the company and its investors."

At press time, the SEC had posted to [its web site](#) seven comments on the disclosure petition, heavily from individual correspondents.

CPA In the News

CPA's outside-the-box strategy to overcome seemingly insurmountable obstacles was highlighted as a bright spot in [HuffingtonPost article](#) Sept. 27 on the demise of campaign finance reform efforts.

Quoting CPA's Bruce Freed, the article said, "What Public Citizen and other groups are doing is important, laying down markers, but doing anything through the legislative or constitutional route is going to be impossible. That's just recognizing reality. This is something where you have to be innovative."

Describing the Center's use of shareholder engagement to press companies to adopt disclosure policies for their political spending, the story noted the result: 88 companies have adopted political disclosure and oversight policies.

CPA was featured prominently in a comprehensive cover story published Aug. 9 by [Corporate Board Member](#), a

corporate treasuries.

In [a blog post](#) for another organization, CED Vice President Mike Petro noted that all of the corporations participating in a Washington, D.C. forum about the new CED campaign "have agreed to disclose and require board oversight of their political spending with corporate funds in accordance with standards championed by the Center for Political Accountability."

When the Center launched its operations in late 2003, corporate political disclosure and accountability didn't even register on companies' radar screens. Today, that has changed dramatically. The new CED campaign and reform proposals offer still another measure of the solid momentum that we've built.

Quick Links

[Center for Political Accountability](#)

[About Us](#)

[CPA Briefs](#)

[Join Our Mailing List!](#)

magazine for company directors, headlined "Corporate Political Donations: Ties that Bind."

The Conference Board's formation of a Committee on Corporate Political Spending, and The Conference Board's collaboration with CPA on a Handbook on Corporate Political Activity last year, were spotlighted by SocialFunds.com in an article Aug. 13.

"It is difficult to overestimate the impact of CPA's efforts," the article said. It noted that The Conference Board's committee plans to publish a report in October and host a public symposium "to discuss how corporations and shareholders can best develop good governance practices, increase shareholder value, and manage the risks related to corporate political spending."

On Aug. 30, [SocialFunds.com](#) had an article that discussed CPA's successful model resolution for corporate transparency and accountability. It previewed the Corporate Political Disclosure and Accountability Index to be unveiled in October by CPA and the Wharton School's Zicklin Center for Business Ethics Research.

[The Michigan Messenger](#), in an article Sept. 19 about a webinar on corporate political disclosure, discussed the CPA's work. The webinar was organized by the Business Ethics Network.

[The Council of Institutional Investors](#) and [ISS's Governance Exchange](#) included Freed in recent conference calls on corporate political disclosure in the upcoming 2012 proxy season. Freed was joined by Columbia Law Prof. Robert Jackson on the Sept. 20 CII call. The Sept. 27 ISS call included Freed, Pfizer corporate secretary Matthew Lepore, Domini Social Investment general counsel Adam Kanzer, and Wachtell Lipton's David Katz.