



## Center for Political Accountability Newsletter

November 2011

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### ISS to Recommend Political Disclosure as Matter of Policy

Institutional Shareholders Services Inc. (ISS), the most influential proxy advisory service, revised its proxy voting policy in November to recommend generally for a vote in favor of political disclosure. The previous ISS policy was to recommend for disclosure on a case-by-case approach.

ISS said shareholders' demand for greater transparency has continued to grow.

"This demand for greater

## CPA Refutes Wall Street Journal Op-Ed Attack

The Wall Street Journal published a letter to the editor from Center for Political Accountability President Bruce Freed, refuting an op-ed that broadly mischaracterized the Center's drive for transparency and oversight.

In his Nov. 23 letter, Freed judged the op-ed attack on CPA by Bradley Smith, chairman of the Center for Competitive Politics, to be "completely at odds with the growing movement among the nation's largest companies to adopt political disclosure and accountability and the work of the Center for Political Accountability."

Smith mischaracterized the purpose of disclosure and accountability, Freed's letter said, because "a commitment to transparency is not a reason for a company to be silent, nor does board oversight burden speech."

"Rather, each is a means of assuring that a company's speech reflects its values and is in the long-term interests of its shareholders. It also enables a company to manage the growing risks associated with the rise of spending through shadowy political organizations and protects against the implied threats and elusive promises that regularly accompany secrecy."

Smith's column sought to protect a purported right of corporations to spend political money secretly. It criticized

transparency appears to be a result of the increasing traction of the multiyear shareholder campaign on corporate political contribution disclosure and the 2010 Citizens United decision by the U.S. Supreme Court,” ISS said. “Furthermore, recent incidents where companies have received negative media attention as a result of their political activities (support for California 's Proposition 23 in 2010 and contributions associated with the 2010 Minnesota gubernatorial race) further demonstrate the risks and consequences of corporate missteps regarding this issue.”

Institutional investors generally favored the updated policy, ISS added.

**26 Companies Respond to CPA Letter on Disclosure, Accountability**

More American corporations are taking steps toward disclosure and oversight of their political spending in the wake of a letter sent by the Center for Political Accountability and its shareholder partners to 423 companies in September.

the Center directly and its staff personally. Smith’s attack actually reflected the strength of CPA’s campaign for corporate political disclosure and accountability, reported [SocialFunds.com](http://SocialFunds.com), an online publication:

**“When a leading advocate for corporate transparency and accountability comes under attack in the opinion pages of the Wall Street Journal, one can only conclude the message of that advocate has been influential. In the case of the Center for Political Accountability and its president, Bruce Freed, that influence extends beyond the concerns of shareholder to include the very corporations whose right to secrecy the Journal’s opinion piece purports to protect.”**

Smith contended that CPA is leading an “effort to convince American businesses to voluntarily disarm and leave the playing field to unions and foundation-funded lobbying groups.” But Smith made significant omissions and misstatements his column, presenting a distorted picture of the facts.

Smith failed to report overwhelming support among investors for political disclosure, as demonstrated in a Mason-Dixon poll, according to Freed’s letter, and Smith did not mention the Supreme Court’s affirmation in 2010 of the constitutionality of disclosure of company political spending to shareholders and the public. CPA also has identified significant factual errors in Smith’s column.

The Wall Street Journal deleted from publication a portion of Freed’s letter that said Smith had “engaged in an ad hominem attack to avoid a thoughtful discussion of the value of transparency.”

“It is a disservice to label this as anti-business or aimed at deterring businesses from participating in politics,” Freed’s letter observed. “Disclosure and board oversight of company political spending is broadly accepted.”

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## CPA in the News

Twenty-six companies had responded to the open letter by press time. Four of these companies engaged CPA in substantive discussions about the issue and indicated they would follow up after internal discussions.

Another two firms, in a sign that companies are taking matters into their own hands, informed CPA they had adopted detailed disclosure and oversight and they have begun posting related information to their company websites.

Ten other companies said they had adopted political disclosure, had updated their policies and disclosure, or were taking the issue to their board or a board committee for consideration.

All S&P 500 companies that had not embraced oversight and transparency received the September letter.

The CPA-Zicklin Index was featured in a recent article by [The National Memo](#), an online political news site. Tom Mann of the Brookings Institution, keynote speaker at the Oct. 28 event at the University of Pennsylvania's Wharton School where the Index was released, told The National Memo of strong promise for the shareholder-driven push for corporate political transparency.

"One of the more promising opportunities for maintaining [a record of] or making accountable increased corporate influence on elections is through this strategy of working with companies," Mann said, "starting with the largest and [those with the] most risk to manage, and creating this index as a lever for change for corporations to adopt policies regarding the expenditure of corporate treasury funds for political purposes, the decision-making process for making those decisions, and policies regarding the transparency of those decisions."

A BNA article on Oct. 31, devoted to the Index, was headlined, "Companies Seen Moving Toward Disclosure on Their Own After *Citizens United* Ruling." Other recent articles featuring the Index were published in [Compliance Week](#) Nov. 15 and in [Treasury & Risk Magazine](#) for November. In addition, a column by Elaine Cohen mentioning the Index, and carried by [Reuters](#), was entitled, "How Many Companies Does it Take to Win an Election?"

Karl Sandstrom, CPA counsel, was interviewed for a [NPR report](#) on changing campaign finance rules in the 2012 election season. Sandstrom, a former federal election commissioner, pointed to a dichotomy when campaign rules do not require disclosure for "issue" groups tied to new "Super PACs."

"That means the public may be in the dark about who contributes. But the beneficiaries — the officeholders and the candidates — are aware of who contributes," Sandstrom said.

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