



Center for Political Accountability Newsletter

December 2011

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Mutual Fund Support Climbs to Record High

At the finish of a year marked by milestone achievements, the Center for Political Accountability [reported](#) that mainstream mutual funds' support for corporate political disclosure resolutions reached a new high of 34 percent in 2011, up from 33 percent a year earlier.

CPA examined the eight-year voting records of 40 of the largest mutual fund families. They have voting power over almost \$3

2011 Milestone Year for CPA, Corporate Political Disclosure

In 2011, the Center for Political Accountability's drive to achieve corporate political disclosure and accountability accelerated as companies began to treat it as a mainstream corporate practice.

"Corporations gained a better understanding in 2011 of the dramatic implications of the Supreme Court's *Citizens United* decision a year earlier and an increasing number adopted policies to restrict the use of their money for political purposes," said Bruce Freed, CPA Founder and president.

"In this new political climate, the Center found growing and vocal support among companies for political transparency and accountability," Freed said.

Highlights of CPA's 2011 proxy season accomplishments, and related national developments, include the following:

- [CPA-Zicklin Index](#). In October 2011, CPA and the Zicklin Center for Business Ethics Research at The Wharton School of the University of Pennsylvania released a new Index rating S&P 100 companies for their political accountability and disclosure policies and practices. It documented that political disclosure is becoming a mainstream corporate practice. The Index garnered extensive, positive news media coverage, heightening its impact.

trillion in U.S. securities, and they hold great sway over companies' approach to corporate governance.

In one of its most striking conclusions, the report said mutual funds were almost as likely to support shareholder resolutions on corporate political spending in 2011 as to support shareholder resolutions on executive compensation.

The mutual fund support for resolutions on executive compensation averaged 38 percent in 2011, just four percentage points higher than their support for political disclosure resolutions.

"The mutual fund vote in 2011 offers still another measure of the Center's steady momentum in pressing for corporate political disclosure," said Bruce Freed, CPA president. "Mutual funds are moving to regard corporate political spending as a key governance issue, one that requires company transparency and accountability."

Highlights of CPA's report on the 2011 proxy season included:

- Seventeen of the 40 mutual fund families

- **Company Agreements.** The total number of S&P 100 companies voluntarily disclosing corporate political spending neared 60 in 2011. Among S&P 500 companies, the total number of companies adopting political disclosure climbed to 88, up from just one in 2004. New companies adopting disclosure included Norfolk Southern, Wells Fargo, Met Life and Weyerhaeuser, all in the influential S&P 100.
- **Proxy Votes.** A record level of shareholder support for the Center's corporate political spending resolution was registered in 2011, reaching an average of 33 percent support. Support exceeded 40 percent on eight such resolutions in 2011, including one company where a majority vote of 53 percent was registered. In 2004, the first proxy season when the resolution was filed, average shareholder support was 9.1 percent.
- **The Conference Board.** The Conference Board, the nation's leading business research organization, created a new committee on political spending. The committee held a symposium in New York City in October 2011, where Exelon, Merck, Microsoft and Pfizer reiterated strong support for political disclosure.
- **CPA Agenda Endorsed:** The Center for Economic Development, a business-led public policy organization, issued in fall 2011 a report on political spending that endorsed CPA's reform program.
- **Company Engagement, Outreach.** CPA organized a letter, signed by 16 of its shareholder partners, to the 423 companies in the S&P 500 that have not adopted full political disclosure, and urging them to do so. During 2011, the Center's staff spoke to top-level corporate audiences about political disclosure.
- **Proxy Firm Shift.** Institutional Shareholder Services (ISS), the largest proxy advisory firm, revised its proxy voting policy in November 2011 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. The new position is likely to have a noticeable impact on average shareholder vote on such proposals in 2012.

cast a majority of votes in support of resolutions urging increased corporate political disclosure;

- A substantial increase in support for political disclosure was registered in the votes of Russell, Allianz, Columbia, Invesco and State Street;
- Morgan Stanley, MFS, Oppenheimer, Wells Fargo and Schroder continued registering support for more than 80 percent of political spending resolutions. They were joined in 2011 by Russell and Allianz;
- Three fund families – Fidelity, Vanguard and TIAA-CREF – continued to abstain on almost all political spending resolutions;
- Five fund families – Neuberger Berman, Legg Mason, Goldman Sachs, Massmutual and Nationwide – registered reduced support compared to

- **Top Pension Funds.** The California Public Employees’ Retirement System (CalPERS) and California State Teachers’ Retirement System (CalSTRS), the largest and second largest pension funds, incorporated board oversight as well as disclosure of corporate political activity – direct and indirect – into their governance policies.
- **SEC Petition.** In August 2011, ten academics, comprising the Committee on Disclosure of Corporate Political Spending, submitted a petition recommending that the Securities and Exchange Commission “develop rules to require public companies to disclose to shareholders the use of corporate resources for political activities.” It was another sign of growing national interest in corporate political disclosure.

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CPA in the News

[CorpGov.Net](#) reported on the CPA-Zicklin Index of Corporate Political Disclosure and Accountability released in October. Its article by James McRitchie added, “Congratulations to Bruce Freed, president of the Center for Political Accountability, for his tireless work in this important area.”

[ComplianceWeek](#) also highlighted the CPA-Zicklin Index in an article (subscription-only) entitled, “Benchmarking Political Spending Habits.” The article advised, “It is definitely worth reading and examining how your company rates versus the index's 29 indicators. Institutional investors already are applying them to determine outliers.”

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2010 levels.

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

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On CPA's 2012 Calendar

In recognition of its leadership, CPA already has been invited to participate in two prestigious forums in 2012:

CPA President Bruce Freed will participate in the **Yale Governance Forum 2012**, sponsored by the Yale School of Management's Millstein Center for Corporate Governance and Performance. Freed will sit on a June 7 panel entitled, "Fighting Corruption with Capital: From the UK Bribery Act to Citizens United."

On Feb. 7, Freed will speak at [Institutional Investor's third annual roundtable](#) on Evolving Fiduciary Obligations of Pension Plans, to be held in Washington, D.C. Other speakers will include keynoters Mary Matalin and James Carville.