

Investors Continue to Press SEC for Rules On Corporate Disclosure of Political Spending

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A coalition of 14 investor and public interest groups July 16 [urged](#) the Securities and Exchange Commission to issue rules requiring companies to disclose their political expenditures, saying that shareholder interest in such disclosures is reaching new highs in 2012.

In a joint letter to the SEC, the groups said there has been a surge in shareholder resolutions calling for the disclosures, as well as boycotts and protests by individual investors at targeted companies.

“Shareholder interest in political expenditures has increased so significantly that many corporations have voluntarily adopted policies requiring disclosure of political spending,” the groups said in the letter. “This trend likely will heighten shareholder expectations, increasing the need for all corporations to disclose their political spending if they wish to maintain widespread support from individual and institutional investors.”

The groups included the American Federation of State, County and Municipal Employees, Citizens for Responsibility and Ethics in Washington, OMB Watch, and Walden Asset Management.

Rulemaking Petition

The groups' letter was a comment on an August 2011 rulemaking petition submitted to the SEC by the Committee on Disclosure of Corporate Political Spending, which is made up of securities and corporate law professors from Harvard, Columbia, Yale, and other law schools ([3072 Money & Politics Report, 8/9/11](#)).

In its petition, the committee noted that although corporations have voluntarily responded to shareholders' demands for disclosure, rulemaking by the SEC is warranted because a “substantial amount” of political spending information is not publicly available or is dispersed among a variety of sources.

Meanwhile, less than a year after its issuance, the petition has resulted in more than 290,000 letters—mostly from individual investors—voicing support for the rule promulgation.

Timothy Smith, senior vice president of Walden Asset Management's Environment, Social and Governance Group, told BNA that heightened investor interest in the matter also is indicated by the substantial increase in 2012 resolutions on the topic.

‘Record Levels.’

“If you look at the number of resolutions seeking disclosure on political spending and lobbying, that did reach record levels,” Smith said. “Also, the vote averages were very respectable, as were the growing number of companies that agreed to disclose” their lobbying dollars.

Smith coordinated an effort in which institutional investors submitted proposals at 38 corporations requesting political expenditure disclosures.

Recent studies have confirmed the jump in numbers. For example, a July 2 report on Fortune 200 companies by Proxy Monitor indicated that while the number of shareholder proposals is largely unchanged, the composition of such proposals has undergone a shift. “In 2012, a plurality of all shareholder proposals—20 percent—involved corporate political spending or lobbying, substantially more than in previous years,” the report said.

Separately, the Sustainable Investments Institute (Si2) said in a July 1 fact sheet that resolutions on corporate political spending accounted for about 40 percent of all votes on social and environmental issues this year.

Si2 also noted that since the issuance of *Citizens United v. Federal Elections Commission*, 558 U.S. 50, ([2683 Money & Politics Report, 1/22/10](#)) the total number of such resolutions has increased from 61 in 2010 to a “record-breaking 125” in 2012.

“These resolutions now account for one-third of all resolutions filed on social and environmental issues, up from only 15 percent three years ago,” the fact sheet said.

Controversial Decision

In the January 2010 *Citizens United* decision, the U.S. Supreme Court lifted longstanding limits on corporate political spending. In the wake of the controversial decision, shareholders have called for more transparency in corporate political expenditures.

When asked whether the 290,000 comments is a new record for the SEC, spokesman John Nester said the commission has not tabulated the number of comments responding to the rulemaking petition by the law professors. However, he added, “I’m not aware of another petition receiving as many comments.”

When asked whether the number of comments will motivate the SEC to write new disclosure rules, Nester would only say, “We are required to examine issues on their merits.”

Harvard law professor Lucian Bebchuk, co-chair of the Committee on Disclosure of Corporate Political Spending, told BNA that he believes the SEC ultimately will take up the rulemaking.

“The petition has attracted a record number of comments, and the comments have been overwhelmingly positive,” Bebchuk said. “There is strong evidence that investor interest in receiving more information on the subject is substantial, and the case for greater transparency in this area is very strong. I therefore fully expect that the SEC will give a serious consideration to the rulemaking petition.”

In February, SEC Chairman Mary Schapiro told reporters that the commission will consider the academics' petition “at some point.” However, other observers have suggested that the rulewriting will not occur anytime soon, given the SEC's packed agenda ([3270 Money & Politics Report, 5/24/12](#)).