

SEC Moves to Require That Corporations Disclose All Political Spending

Public Citizen

September 8, 2014

Washington, DC - In a record-breaking demonstration of support, more than one million [comments](#) have been submitted to the U.S. Securities and Exchange Commission (SEC) calling on the agency to take immediate steps to require publicly traded corporations to disclose their use of corporate resources for political purposes to their shareholders.

In a [press conference](#) outside the agency today, members of the Corporate Reform Coalition urged the agency to move swiftly on the rule in response to the overwhelming demand. A petition requesting this rulemaking was filed in 2011 by a bipartisan committee of leading law professors. The rulemaking was placed on the agency's agenda by former SEC Chair Mary Schapiro in 2013 but was [removed](#) by Chair Mary Jo White earlier this year, sparking outrage among investors and the public.

John C. Bogle, founder of Vanguard, said, "It's high time that the abuse of corporate political spending comes to an end. Disclosure of corporate political contributions to the corporation's shareholders—its owners—is the first step toward dealing with the potentially corrupt relationship between corporate managers and legislators. Shareholders must not be left in the dark while their money is spent without their knowledge."

"The overwhelming support from public comments the petition has attracted, and the strength of the arguments for transparency put forward in the petition, provide a strong case for SEC initiation of a rulemaking process," said Lucian Bebchuk, professor and director of the program on Corporate Governance at Harvard Law School and co-chair of the committee that filed the petition. "Furthermore, opponents of the petition have failed in their comments to provide any good basis for avoiding such a process."

[The one million supportive comments](#) have come from diverse sources such as John C. Bogle, founder and former CEO of Vanguard; U.S. Reps. Chris Van Hollen (D-Md.), Mike Capuano (D-Mass.) and 70 other members of the U.S. House; 15 U.S. senators including Sens. Elizabeth Warren (D-Mass.), Robert Menendez (D-N.J.), and Jeff Merkley (D-Ore.); five state treasurers; the Maryland State Retirement Agency; US SIF: The Forum for Sustainable and Responsible Investment; CREDO Mobile; the Sustainable Investments Institute; and a large group of firms managing more than \$690 billion in assets and many more.

"SEC Chair Mary Jo White should seize this moment to safeguard investors by providing them with information necessary to make their investing decisions," said Lisa Gilbert, director of Public Citizen's Congress Watch division. "Concerns have been raised that the agency has delayed action on this commonsense rule because of the opposition of powerful business lobbies, themselves beneficiaries of dark corporate money."

"The SEC has the authority and the responsibility to regulate for the protection of investors and the public interest, and has a duty to respond to the changed circumstances brought by the

Citizens United decision," said Liz Kennedy, counsel at Demos. "Americans are demanding long-overdue action on the corporate political disclosure rule from the SEC."

The area of corporate political spending requires particular investor protections because it exposes investors to significant new risks. Certain corporate political spending choices may diverge from a company's stated values or policies, or may endanger the company's brand or shareholder value by embroiling it in hot-button issues. Investors have a right to know what candidates or issues their investments are going to support or oppose. As evidence of strong investor concern about political spending, in the past five years, there have been 166 votes on shareholder resolutions calling for the disclosure of political contributions, with an average support level of 30 percent. Moreover, 76 additional resolutions were withdrawn after negotiations led to companies expanding their disclosure policies.

Americans across the political spectrum strongly support requiring transparency and accountability in corporate political spending. [Polling](#) shows that eight out of 10 Americans (81 percent) believe that corporations should spend money on political campaigns only if they disclose their spending immediately (including 77 percent of Republicans and 88 percent of Democrats). Eighty-six percent of Americans agree that prompt disclosure of political spending would help voters, customers and shareholders hold companies accountable for political behavior (support ranged from 83 percent to 92 percent across all political subgroups).

"For more than a decade, the Maryland State Retirement and Pension System, with more than \$45 billion in assets, has required the disclosure of corporate political spending in its proxy voting guidelines," said State Treasurer Nancy K. Kopp, chair of the Maryland State Retirement and Pension System Board of Trustees. "We believe such disclosures ensure transparency and accountability of corporations to their investors. Since the petition was offered to the SEC three years ago to adopt the rulemaking project on corporate political spending, the Maryland State Retirement and Pension System has been and will continue to be in support of this effort."

Laura Berry, executive director of the Interfaith Center on Corporate Responsibility, said, "It is no surprise that over one million comments have been received demanding greater transparency on corporate political spending. As investors, this information is crucial to understand corporate strategies that impact the future value of our investments. As citizens, we must fully understand how our government is influenced by corporate interests. Understanding where and how corporate dollars flow is the most straightforward approach."

Amanda Ballantyne, national director of the Main Street Alliance, said, "Given the studies showing that political spending by corporate executives does little to benefit the overall company, equity shareholders like small business owners deserve to know how the money they invest is being used. It is the duty of the SEC to protect these consumers and to require the disclosure of political expenditures to stockholders."

"Investors have filed hundreds of shareholder resolutions urging companies to disclose their political spending and lobbying expenditures, convinced that companies should be transparent about how investor dollars are spent directly or indirectly to impact elections and influence policy. Despite the progress of close to 150 companies choosing to disclose information about their political spending, we desperately need a level playing field where all companies disclose

comparable information. The SEC can play an important role for investors by creating a standard regulation providing for such disclosure," said Tim Smith, director of ESG Shareowner Engagement, Walden Asset Management.

"Americans want a democracy where facts and evidence hold more sway than secret corporate influence. The public overwhelmingly wants the SEC to help make that a reality," said Gretchen Goldman, lead analyst at The Center for Science and Democracy at the Union of Concerned Scientists.

"We need to get all corporate money out of politics, period," said Becky Bond, CREDO Mobile's vice president. "But until that happens, the SEC can at the very least make corporate CEOs disclose to their shareholders and the public how much money they are spending out of company coffers in order to influence the outcome of our elections."

Some of the participants in the Corporate Reform Coalition, which works to increase transparency and accountability for corporate political spending, are:

US SIF: The Forum for Sustainable and Responsible Investment
The Interfaith Center on Corporate Responsibility
Founder of GMI Ratings Nell Minow
Demos
Public Citizen
Main Street Alliance
Domini Social Investments
Alliance for a Just Society
AFL-CIO
Walden Asset Management
Green Century Capital Management
Center for Political Accountability
The Sisters of St. Francis of Philadelphia
CREDO
Common Cause
The Social Equity Group
Christopher Reynolds Foundation
Socially Responsible Investment Coalition
Communications Workers of America
Democracy 21
Zevin Asset Management
Congregation of Sisters of St. Agnes
Greenpeace
Responsible Endowments Coalition
The Center for Science and Democracy at the Union of Concerned Scientists
Trillium Asset Management
American Federation of State, County and Municipal Employees (AFSCME)
Sisters of the Presentation of the BVM
Corporate Responsibility Committee, Sisters of Charity of Cincinnati
People For the American Way

International Brotherhood of Teamsters
USAction
Unitarian Universalist Association
Unitarian Universalist Service Committee
New Progressive Alliance
Free Speech For People
Friends Fiduciary Corporation
Brennan Center
Progressives United
U.S. Public Interest Research Group
Public Campaign
Northwest Coalition for Responsible Investment
CT Citizen Action Group
WV Citizen Action Group
Wisconsin Democracy Campaign
Boston Common Asset Management
Coffee Party USA
Citizen Works
NorthStar Asset Management, Inc.
Harrington Investments
Corporate Responsibility Office, Province of St. Joseph of the Capuchin Order
As You Sow
Newground Social Investment
Investor Voice