# Some Companies Balk at Disclosing Details of Political Giving

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By Vipal Monga and Maxwell Murphy
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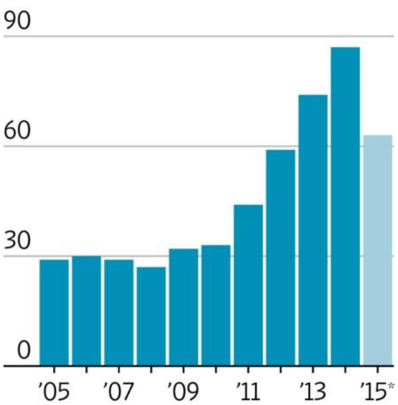
Shareholders are hitting a wall with some major companies in their effort to persuade them to disclose how they spend corporate money to support political candidates.

According to the Center for Political Accountability, at least one in 10 big publicly traded companies doesn't reveal details of its donations to electoral candidates, parties or causes on its website, where investors could easily find it.

**Talking Politics**

Annual number of investor proposals submitted to U.S. public companies to disclose more about their political spending and lobbying efforts




*Year to date
Source: ISS Voting Analytics
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Shareholders have paid increasing attention to the issue since 2010, when the Supreme Court ruled that corporations have a First Amendment right to spend unlimited amounts of money on political campaigns.

Businesses donated $1.68 billion to candidates and political groups last year and $2.71 billion in 2012, the most recent presidential-election year, according to the Center for Responsive Politics, which tracks political spending.

Many investors want to know how and where companies put corporate funds to work, said Lucian Bebchuk, a professor at Harvard Law School. "Without disclosure and accountability, companies may well spend funds on political causes that insiders favor but shareholders do not."

Charles Schwab Corp., the San Francisco-based brokerage firm, is one of the disclosure holdouts. For 10 years running, its shareholders have submitted proposals requesting more information about any political groups Schwab backs with corporate dollars.

But the company doesn't disclose how much or to whom it gives, beyond a general statement on its website that says it complies with all disclosure laws and that its board's audit committee reviews political donations.

"The cost and effort to compile and report this data would outweigh its limited value to our stockholders," Schwab said this year in response to a disclosure proposal.

Shareholders this year have voted on 63 nonbinding proposals seeking more details about corporate political activities, according to proxy adviser Institutional Shareholder Services. That compares to 87 for all of last year. Proposals for this year so far were backed by an average 29% of shares voted, up from 28% in 2014.

"It's about the use of capital that could perhaps be invested better," added Sister Valerie Heinonen, a director of shareholder advocacy at Mercy Investment Services, the investment arm of the Sisters of Mercy, a religious order.

Over the past dozen years, more companies, including the financial-services giant J.P. Morgan Chase & Co. and chip maker Qualcomm Inc., have yielded to shareholder pressure to be more open about what they contribute to political campaigns, trade groups and lobbying efforts. "We live in a world where nothing is secret now," said Peter Scher,J.P. Morgan's head of corporate responsibility.

Qualcomm gives a full accounting on its website of the money it donated in state and municipal elections, to tax-exempt groups, and dues and membership fees to trade associations, such as the Alliance for Telecommunications Industry Solutions. In the first half of the year, the company made political contributions of roughly $2.2 million.

"We aren't shy about saying public policy can impact our business in a number of areas," said Alice Tornquist, a vice president in San Diego-based Qualcomm's government affairs department. "We want to be as transparent as possible about that."

For chief financial officers, and the investor relations teams reporting to them, dealing with shareholder requests for political spending disclosure is just one of many concerns.

Evidence of the trend toward greater openness surfaced in the annual CPA-Zicklin index published by the Center for Political Accountability, which tracks company disclosures, ranking corporations with scores of up to 100. The group expects its index to show that the average score among the 286 largest companies has risen to 50 this year from 46.6 last year.

Last month, 44 Senate Democrats wrote to Securities and Exchange Commission Chairman Mary Jo White, asking the SEC for new rules requiring all companies to disclose their political giving. Ms. White has resisted calls to put the issue on the SEC's agenda.

Some disclosure holdouts say they don't use company funds for political donations, making any policy in that area moot. "We don't need policy because we don't allow corporate contributions," said a spokesman for Simon Property Group Inc., a real-estate investment trust based in Indianapolis, Ind.

Not everyone agrees. If companies "do zero" political contributions, "they could write that on the website with one sentence," said Robert Jackson Jr., a professor at Columbia University's law school.

Other holdouts include health insurer Aetna Inc., whose shareholders have made political-disclosure proposals for four years in a row; and utility company PPL Corp, which has received such proposals for three years.

A PPL spokesman said the company makes no direct contributions to political campaigns. It has resisted pressure to reveal how much it spends on ballot initiatives and tax-exempt political groups that are active in campaigns. He added that the company is evaluating the issue.

Thomas DiNapoli, New York state's comptroller, who oversees $184.5 billion in pension asset, filed a proposal this year, asking Aetna to name certain tax-exempt groups it supports that were created specifically to help candidates win elections, or participate in elections by promoting "social welfare." Those groups are called 527 organizations and 501(c)(4)s, respectively, after sections of the Tax Code.

Aetna already discloses contributions to candidates, political-action committees, party committees and trade groups. "The overwhelming majority of our shareholders agree that additional disclosure is not warranted," said an Aetna spokesman, citing 25% support for Mr. DiNapoli's proposal.

In 2012, Aetna inadvertently revealed in filings that it had poured about $3 million into a group campaigning against the Affordable Care Act—contributions it hadn't disclosed in its regular political report.

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