Activists pressure U.S. companies on political money

Reuters
By Ross Kerber
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Two social activist investment groups said this week they have begun pressuring major U.S. companies, including Pfizer Inc and PepsiCo Inc to review contributions to trade groups such as the Chamber of Commerce.

The move comes amid growing controversy after a Supreme Court decision earlier this year made it easier for companies and unions to spend directly on individual candidates.

The U.S. Chamber -- which lobbies on behalf of U.S. businesses -- was among a number of outside groups that spent millions in the just-concluded midterm election campaign. Analysts say the Chamber's spending bolstered the wave of Republican victories that allowed the party to retake control of the U.S. House.

On Thursday, asset managers Walden Asset Management in Boston and Domini Social Investments in New York said they filed resolutions calling for independent directors to review political spending at Pfizer and Pepsi, plus International Business Machines Corp and Accenture Public Ltd Co.

If accepted, the resolutions would be voted by shareholders at annual meetings next spring. If passed, they are not binding, meaning management can choose to ignore them.

In practice, such resolutions rarely achieve majorities. But Walden and Domini -- with about $3 billion under management between them -- have had some success in bringing debate around issues such as having shareholders vote on executive pay. Last month, U.S. regulators proposed the same idea.

A spokesman for Accenture said the company will review the proposal. He added it does not give money to the Chamber's political efforts under a corporate policy barring such direct spending on political activities.

A Pepsi spokesman said it will review the resolution, but praised the Chamber as "an effective advocate of business."

A Pfizer spokesman said it will consider the resolution and that it "takes seriously all shareholder concerns."

An IBM spokesman said the company would not comment.

Tip of the Iceberg?

The activists' proposals ask each of the four companies to review political spending and contributions, with an eye on their own corporate rules against political spending.

Shareholders are likely to introduce more such measures as similar legislation stalls in Washington, said Lucian Bebchuk, a Harvard University law school professor who studies corporate governance.

In a forthcoming paper, Bebchuk himself and co-writer Robert Jackson of Columbia University argue that shareholders should be given the chance to vote directly on political contributions and that companies ought to be required to disclose their spending to intermediaries.

Currently, when it comes to such support, "the interests of (company) directors and executives may significantly diverge from those of shareholders," they write.

Money channeled through the U.S. Chamber of Commerce in particular has become a flash point, as some companies and investors have objected to the group's stance on issues such as pollution controls and health care.

In the just-concluded midterm elections, the U.S. Chamber spent $32.8 million to influence Congressional races, more than any other group except for the political parties themselves, according to filings analyzed by the nonprofit Center for Responsive Politics. Of that money, the overwhelming majority helped Republicans, the group estimates.

Chamber of Commerce representatives said it has only tried to oppose new laws on healthcare and pollution controls proposed by Democrats in recent years and say by some measures their spending still trails the support unions provide to Democrats.

Chamber leaders praised the Republican gains on Tuesday, but added via e-mail: "We did support quite a few pro-business Democrats in this election."

The shareholder resolutions resemble a law proposed in March by Democratic Massachusetts Congressman Michael Capuano that has not been voted on by the full House. The Chamber opposed the law.