

## Roll Call

# Industry Giants Opening Up on Politics

April 11, 2007

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The transparency tide sweeping Capitol Hill is reaching corporate suites far outside the Beltway.

A dozen companies this month announced they are the latest to join a growing list of business giants pledging to disclose more about their political spending. The decisions come in response to pressure from shareholder groups, who in the past three years have been building momentum for the new standards.

Among the latest converts: insurance giants Aetna and WellPoint; energy companies FirstEnergy and Xcel Energy; manufacturers Colgate-Palmolive and DuPont; and drug maker Pfizer. They all have agreed to report the portion of their trade association dues that end up being spent on political efforts, in addition to disclosing money they contribute directly to political groups.

Others - CIGNA, General Motors, Chevron, Lockheed Martin and EMC - agreed to disclose direct contributions to political groups but not their trade association money. All 12 companies have agreed to board oversight of their political spending.

"Companies are finding that they really have to deal with this issue," said Bruce Freed, co-director of the Center for Political Accountability, which is spearheading the drive. "It's now moving toward becoming a best practice."

Founded in 2003, Freed's group relies on an oddball coalition of institutional investors and shareholder groups to help make its case. Five New York City pension funds opened talks with CIGNA and Chevron. Two Sisters of Mercy investment programs took the lead with Aetna and WellPoint. An advisory firm focused on environmentally friendly investments, called Green Century Capital Management, got the two energy companies to come around.

Socially conscious funds and union groups also have been in the mix.

The dozen companies agreeing to the standards join 19 others, including General Electric, Amgen, Coca-Cola, McDonald's, Morgan Stanley and Verizon, that already have signed on to better disclosure and board oversight of political spending. This year, however, Freed's group is pushing for more information: Companies never before have offered to report on the political use of their trade association dues.

Many of the companies involved said they still are working out what, exactly, they have agreed to do. General Motors will disclose the money it contributes to groups known as 527s, but not to other targets of corporate soft money, such as 501(c) groups that engage in issue advocacy. Greg Martin, a spokesman, said the company is sorting through how often, and where, it will make that information available.

Pfizer and FirstEnergy will be asking their trade associations to tell them how much of their money is spent on political and lobbying efforts. FirstEnergy wants the data from every trade group it pays \$25,000 annually and will publish the results at the end of the year. Pfizer will post the numbers twice a year, from the 20 or so trade groups it pays at least \$100,000 annually.

"We've always been very transparent in disclosing our political contributions," said Marc Scarduffa, Pfizer's senior director of public affairs. He noted the company already posts online not only the activity of its federal political action committee, but also money spent on ballot initiatives, and corporate contributions at the state and local level. "As long as we're told what the trade associations are spending, it's easy to do. It's just an extra step in the process."

With the development still fresh, major trade associations are likewise trying to sort out what the requests from their member companies will mean. J.P. Fielder, a spokesman for the National Association of Manufacturers, said if the group's members "want to disclose their political spending, they are certainly willing to do so. We're not going to advise them either way."

Eric Wohlschlegel, a spokesman for the U.S. Chamber of Commerce, noted that "hard money is already disclosed, and soft money, by definition, cannot be used for political purposes."

The news comes as companies begin to lay plans for their involvement in the 2008 elections, in which spending by presidential candidates already is on track to shatter records. And while the biggest companies reported spending more than ever on federal lobbying during the previous Congress, much of that activity officially was off the books, in the form of contributions to trade associations and other outside advocacy groups.

Steve Weissman, of the Campaign Finance Institute, called the voluntary disclosure "positive," but he said it is not likely to provide a full picture of what the companies actually are spending. He said since trade associations have a poor record of accurately reporting their political activity to the Internal Revenue Service, they are not likely to do much better when providing that information to their members.

"The real solution is for the IRS to enforce its own requirements that these groups report their expenditures," he said.

Freed said he agreed that trade associations have not done enough to report on their political expenditures. "We recognize this is an area that has to be opened up and dealt

with," he said, adding that pressure from companies could compel trade associations to provide a more complete accounting of that spending.

Investors who are helping drive the effort said they start simply by talking to company officials about the disclosure requirement. In many cases, they said, companies agree to adopt the standards.

If they don't, investors prepare a shareholder resolution on the issue. While not binding, those resolutions that have come to votes have gathered steadily gaining margins, often convincing wavering corporate officials to put the issue to rest by agreeing to the transparency rules.

"The good news is it's taken off in terms of public interest, and with more companies willing to do it, there's a precedent being set," said Timothy Smith, a senior vice president at Walden Asset Management and president of the Social Investment Forum.

About 40 companies are set this spring to vote on shareholder resolutions requiring reporting on political spending.