

**Wall Street Journal**

## **Investors Seek Clarity on Campaign Giving**

### **Pressure Grows on Corporations to Improve How They Disclose and Track Political Donations**

By JEANNE CUMMINGS  
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WASHINGTON -- As Congress debates new campaign-finance rules, shareholder groups are pushing companies to do a better job of disclosing political donations.

**McDonald's Corp.** and **Southern Co.** are the latest to agree to post more information on their Web sites about contributions to candidates and issue-oriented groups that sometimes don't have to release donors' names. Eight other companies also have changed their policies in response to shareholder requests in the past three years.

The campaign for corporate disclosure is gaining momentum. Institutional Shareholder Services, which advises investors on how to vote their proxies, is for the first time recommending passage of a shareholder resolution requiring more oversight and disclosure of political giving.

The unprecedented recommendation involves **Washington Mutual Inc.**, a fast-growing Seattle thrift. According to Alan Gulick, a company spokesman, Washington Mutual opposes the resolution on grounds that information on the thrift's donations, roughly \$50,000 in the past election cycle, are already available to the public. In addition, Washington Mutual executives argue the cost of implementing a new policy may well exceed the company's relatively modest political giving.

Proponents of corporate disclosure say political giving by public companies can create risks for shareholders, particularly if the firm winds up in the middle of a political scandal.

In the money-laundering investigation of former House Majority Leader Tom DeLay, for instance, eight corporations were indicted for making donations to a Texas political group associated with Mr. DeLay. In Texas, donations by companies to political candidates are illegal; the firms say they weren't aware that their contributions might be directed to candidates, as prosecutors allege. Four of the corporations have settled with prosecutors.

"We are not arguing that companies shouldn't spend money politically. Companies really should do more due diligence in tracking where they are spending their money and where it ultimately ends up," says Bruce Freed, who is spearheading the effort as co-director of the Center for Political Accountability, a nonpartisan group working on transparency in corporate donations.

A recent survey of investors by Mason-Dixon Polling & Research, commissioned by Mr. Freed, has provided him with fresh ammunition to take to corporate executives. More than 90% of respondents backed more disclosure and 84% wanted board oversight and approval of such giving. Nearly three-quarters of respondents agreed that corporate giving is often aimed at advancing the private interests of executives rather than the company's interest.

In the past three years, the Center for Political Accountability has teamed with various shareholder organizations, including unions, religious groups and environmentalists, to introduce more than 100 corporate resolutions calling for board oversight and greater transparency of corporate political activity. All but one were defeated, but they have

sparked negotiations that led to policies that make it easier for shareholders to track political giving and impose more internal scrutiny of donations. Sixty resolutions are pending this year and 41 are scheduled for votes.

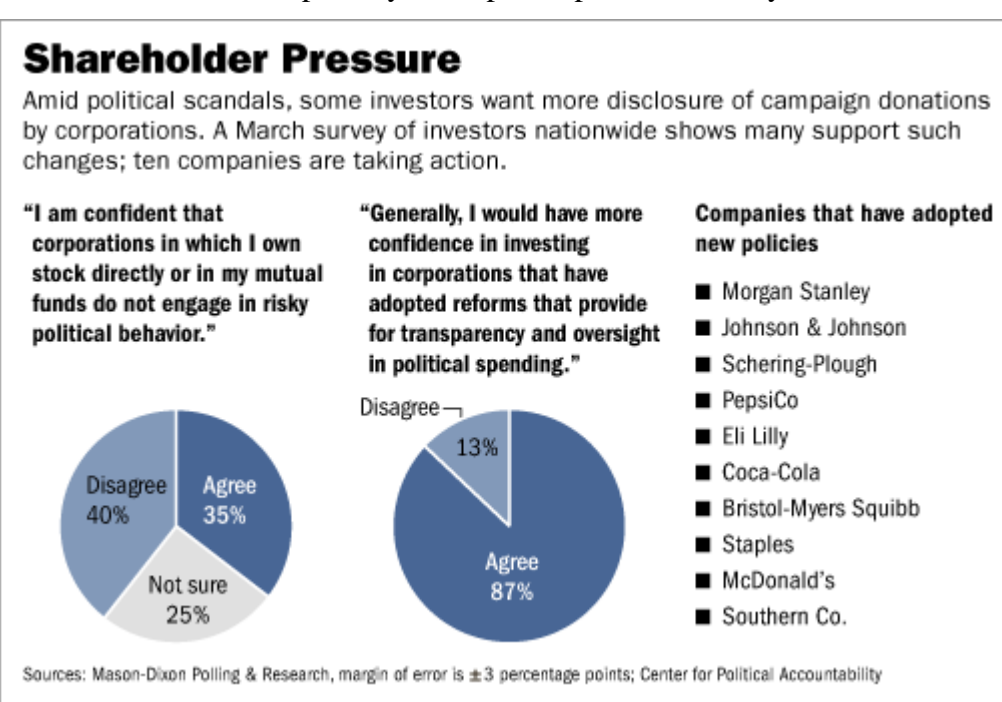
Corporations largely have opposed the resolutions, saying that investors can go to a host of Web sites -- including the Federal Election Commission's -- to monitor donations.

That had been the position held by Institutional

Shareholder Services. In recent months, though, ISS analysts concluded that changes in campaign-finance rules stemming from the 2002 McCain-Feingold law made it harder to track corporate giving since so much money was flowing to a new batch of political organizations not bound by the same disclosure rules as political parties, says Jim Letsky, a senior ISS analyst.

"We were seeing examples of where corporations didn't know where their money was ultimately ending up," Mr. Letsky said. Congress is considering legislation to close that loophole, but it is unclear if anything will pass this year.

ISS hasn't given overhaul advocates everything they want. Recommendations on shareholder resolutions regarding political giving will be evaluated on a company-by-company basis and largely will hinge on whether a firm already has high-level oversight of donations and a policy explaining its criteria for giving, Mr. Letsky said.



In the case of Washington Mutual, ISS analysts concluded there "is no detailed information" about "oversight or accountability for corporation contributions or the administration of Washington Mutual's PACs." By contrast, ISS this month is recommending against passage of a similar resolution brought by **Citigroup Inc.** shareholders because the company posts its rationale for making political donations on its Web site and requires board oversight of them.

Mr. Freed plans to step up pressure on corporations by pressing for disclosure of dues and contributions to trade associations. Corporations have long been able to make their voices heard -- and their identities concealed -- on Capitol Hill by having their trade associations take the lead, and these groups often closely guard donor lists and finances.

Mr. Freed is preparing a report that he says will track some of the millions of dollars donated by corporations to trade associations or other groups that eventually are passed on to candidates or causes that sometimes conflict with policies advocated by the firms, such as providing benefits for employees in same-sex partnerships.

Margaret Weber, coordinator of corporate responsibility for the Adrian Dominican Sisters, a Roman Catholic order in Michigan, is taking up the cause to push for disclosure of trade-association payments.

She became interested in the issue during the Capitol Hill debate over a prescription-drug plan for seniors in which the Pharmaceutical Research and Manufacturers of America, the trade group representing big drug companies, figured prominently. While the Dominican Sisters didn't take a position on the legislation, they had hoped the bill would allow for government-negotiated drug prices and transparency on rebates and discounts. Ms. Weber says neither happened in part because of opposition from drug makers.

Ms. Weber said information about a company's trade-association membership could influence where the sisters invest their savings, because "as much as possible, they strive to have an alignment between the values of their money and their mission."