

2011

The CPA-Zicklin Index of Corporate Political Accountability and Disclosure

How Leading Companies Navigate Political
Spending in the Wake of *Citizens United*



**CENTER
FOR POLITICAL
ACCOUNTABILITY**



Wharton
UNIVERSITY of PENNSYLVANIA

the Carol and Lawrence
Zicklin Center
for Business Ethics Research



ABOUT THE CENTER FOR POLITICAL ACCOUNTABILITY

The Center for Political Accountability (CPA) is a non-profit, non-partisan organization created in November 2003 to bring transparency and accountability to corporate political spending. It was formed to address the secrecy that cloaks much of the political activity engaged in by companies and the risks this poses to shareholder value.

Working with more than 20 shareholder advocates, the CPA is the only group to directly engage companies to improve disclosure and oversight of their political spending. This includes soft money contributions and payments to trade associations and other tax-exempt organizations that are used for political purposes.

The Center's aims are to encourage responsible corporate political activity, protect shareholders, and strengthen the integrity of the political process. As a result of the efforts of the CPA and its partners, a growing number of leading public companies, including more than half of the S&P 100, have adopted political disclosure and oversight.

ABOUT THE ZICKLIN CENTER FOR BUSINESS ETHICS AT THE WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

The Carol and Lawrence Zicklin Center for Business Ethics Research was established in 1997. The mission of the Center is to sponsor and disseminate leading-edge research on critical topics in business ethics. It provides students, educators, business leaders, and policy makers with research to meet the ethical, governance, and compliance challenges that arise in complex business transactions. The Zicklin Center supports research that examines those organizational incentives and disincentives that promote ethical business practices, along with the firm-level features, processes, and decision-making associated with failures of governance, compliance, and integrity.

October 28, 2011

NOTICES

Copyright © 2011 by the Center for Political Accountability. All rights reserved. No portion of this material may be reproduced in any form or medium whatsoever without the express, written, prior permission of the copyright holder. For information, please contact:

Bruce F. Freed
Center for Political Accountability
1233 20th St., NW Suite 205
Washington, DC 20036
(202) 464-1570 x 102 (voice)
(202) 464-1575 (fax)
bffreed@politicalaccountability.net (E-Mail)

TABLE OF CONTENTS

ACKNOWLEDGMENTS.....	4
EXECUTIVE SUMMARY	5
INTRODUCTION: THE NEED FOR CORPORATE TRANSPARENCY AND ACCOUNTABILITY IN POLITICAL SPENDING.....	7
CHAPTER 1: SCORING OF KEY POLICY AND PRACTICE INDICATORS.....	10
2011 Index Results: Scoring for Key Policy and Practice Indicators	10
Table 1: 2011 Index Results: Ranking by Key Policy and Practice Indicators.....	11
CHAPTER 2: ASSESSING BOARD OVERSIGHT OF POLITICAL SPENDING	12
2011 Index Results: Board Oversight of Political Spending	12
CHAPTER 3: ASSESSING DISCLOSURE OF CORPORATE POLITICAL SPENDING.....	13
2011 Index Results: Corporate Leaders for Overall Disclosure.....	13
Table 2: Leaders in Disclosure.....	14
2011 Index Results: Corporate Disclosure of Direct Political Spending	14
2011 Index Results: Corporate Disclosure of Indirect Political Spending.....	15
Table 3: Companies disclosing payments to trade associations and other tax-exempt groups used for political purposes.....	16
CHAPTER 4: ASSESSING POLICIES ON POLITICAL SPENDING, AND RESTRICTIONS	17
2011 Index Results: More Companies Restrict Political Spending.....	17
Table 4: Prohibitions on Corporate Funds for Political Activity	17
2011 Index Results: Top Companies for Posted Political Spending Policies.....	18
CHAPTER 5: ASSESSING RESULTS BY SECTOR	20
2011 Index Results: Four Sectors Score Highest for Key Policy and Practice Indicators	20
Chart 1: Sector Rankings by Key Policies and Practices	20
2011 Index Results: Health Care Sector Leads for Disclosure; Policies; and Oversight	20
Chart 2: Sector Rankings by Disclosure	21
Chart 3: Sector Rankings by Policy	21
Chart 4: Sector Rankings by Oversight.....	22
APPENDICES.....	23
Appendix 1: Methodology.....	23
Appendix 2: Indicators Reviewed & Maximum Points	25
Appendix 3: Rankings by Key Policy and Practice Indicators.....	27
Appendix 4: Companies with Board Committee Oversight of Their Political Spending.....	31
Appendix 5: Glossary.....	33

ACKNOWLEDGMENTS

The Center for Political Accountability thanks the Carol and Lawrence Zicklin Center for Business Ethics Research, part of The Wharton School of the University of Pennsylvania.

CPA and Wharton's Zicklin Center first announced in 2007 a collaborative effort on corporate governance and corporate political accountability. CPA co-sponsored with the Zicklin Center and Baruch College's Robert Zicklin Center for Corporate Integrity a 2008 conference on "Money, Politics and the Corporate Risk." In 2010 CPA, The Wharton School and the UCLA School of Law co-sponsored a conference on "*Citizens United* and the Changing Political Role of the Corporation."

CPA is grateful to Lawrence Zicklin, whose wise counsel and generosity made the CPA-Zicklin Index possible; Professor William Laufer of The Wharton School, who first proposed the Index to CPA in July 2009; and Peter Kinder, former president of KLD Research & Analytics Inc., who helped develop the original list of indicators used in compiling the Index and worked closely with CPA in testing and finalizing the indicators.

CPA thanks its advisory committee, created to develop an objective system for scoring companies' policies and practices on political disclosure and accountability. The committee reviewed the report before publication.

Advisory committee members are: Julie Fox Gorte, Ph.D., Senior Vice President for Sustainable Investing, Pax World Management Corp.; Prof. John M. MacDonald, Chair, Department of Criminology, University of Pennsylvania, and Director, The Jerry Lee Center of Criminology; Mr. Kinder; and Steven Lydenberg, Partner, Strategic Vision, for Domini Social Investments.

CPA thanks the 33 companies – one-third of the S&P 100 -- that responded directly to the Center when informed of their preliminary CPA-Zicklin Index scores. These companies asked questions for clarification and made suggestions for changes, which will be taken into account in future annual updates of this year's Index.

This report was written by Bruce Freed, CPA president; Karl Sandstrom, CPA counsel and Of Counsel with Perkins Coie; Valentina Judge, CPA associate director; and Peter Hardin, CPA writer and editor. Ms. Judge also oversaw the data collection and analysis.

CPA thanks Aaron Stanley, CPA staff associate, for his assistance and Caitlin Biegler, Thomas Herndon and Jeremy Stone, who collected the company data for the Index.

EXECUTIVE SUMMARY

On the eve of the 2012 elections that could see record political spending,¹ data from the CPA-Zicklin Index reveal some striking findings:

- Voluntary disclosure of political spending is becoming a mainstream corporate practice, and
- A growing number of companies are putting restrictions on the political use of their money.

The CPA-Zicklin Index is the first comprehensive portrait² of how the largest U.S. public companies, those in the S&P 100 Index,³ are navigating political spending. It yielded these key results:

DISCLOSURE and OVERSIGHT, OR NO SPENDING: Fifty-seven companies, or almost three-fifths of the largest publicly traded companies in the United States, disclose⁴ their direct corporate political spending and have adopted board oversight, or they prohibit spending corporate cash on politics.⁵ The two companies that prohibit any spending are Colgate-Palmolive and International Business Machines. (See Appendix 3)

RESTRICTIONS: Thirty companies, or almost one-third of the S&P 100, place some prohibitions on using corporate funds for political activity. (See Table 4)

INDIRECT SPENDING: Forty-three companies disclose some information about their indirect spending through trade associations or other tax-exempt groups. (See Table 3)

INDEPENDENT EXPENDITURES: Twenty-four companies, or one-fourth of the S&P 100, state on their websites that they will not make independent expenditures, allowed by the U.S. Supreme Court's 2010 ruling in *Citizens United*. (See Table 4)

NO DIRECT SPENDING: Sixteen companies, or one in six in the S&P 100, say that they do not spend treasury funds directly on candidates or political committees. Colgate-Palmolive and IBM prohibit use of corporate funds for either direct or indirect political activity. (See Table 4)

TOP RANKINGS: Based on seven key indicators covering disclosure, policy and oversight, the 10 companies receiving the highest scores are Colgate-Palmolive Co., Exelon Corp., International

¹ Jonathan D. Salant, "Why the 2012 Election Will Cost \$6 Billion," *Bloomberg BusinessWeek*, Sept. 29, 2011.

² The Index reviewed companies' disclosure broken out by categories of spending, including indirect spending; elements of policies governing spending or prohibitions on spending; and details related to the oversight practices in place.

³ The universe is the S&P 100, excluding Phillip Morris International, which has no operations in the United States. The company does disclose its spending in some of the non-U.S. markets in which it operates, and prohibits trade associations from using its dues payments for political purposes.

⁴ Companies that spend corporate treasury funds at the state and local level, and on ballot measures, are subject to disclosure requirements of those state campaign finance laws. Disclosure in the context of this report refers to the posting of the details of the full array of a company's spending on its website, including those contributions made at the state or local level that are reported to the individual authorities.

⁵ These do not include lobbying expenditures.

Business Machines, Merck & Co. Inc., Johnson & Johnson, Pfizer Inc., United Parcel Service Inc., Dell Inc., Wells Fargo & Co., and EMC Corp.⁶ (See Table 1)

In 2003, the Center for Political Accountability began engaging corporations to voluntarily provide disclosure and oversight of political spending. Few, if any, companies disclosed their political spending then.

In October 2011, the first CPA-Zicklin Corporate Political Disclosure and Accountability Index reflects significant progress. It also reflects troubling gaps that leave many shareholders, and citizens, in the dark.

⁶ In their discussions with CPA, several companies indicated they were refining or updating their disclosure or policies. These changes will be reflected in the 2012 update of the CPA-Zicklin Index.

INTRODUCTION: THE NEED FOR CORPORATE TRANSPARENCY AND ACCOUNTABILITY IN POLITICAL SPENDING

The CPA-Zicklin Index of Corporate Political Disclosure and Accountability is the first comprehensive portrait of how leading publicly traded U.S. companies navigate political spending since the U.S. Supreme Court's *Citizens United* decision in 2010. It depicts:

- The ways that companies engage in, manage and oversee political spending, or refrain from it;
- The specific spending restrictions that many companies have adopted; and
- The policies and practices that leave room for the greatest improvement.

The Index will give investors a tool to evaluate whether their companies' policies and practices invoke disclosure or meaningful accountability. It will help companies assess whether they are following best practices for disclosure and accountability, and the extent to which they are demonstrating a commitment to these principles.

The Index draws on a CPA review of practices and policies of S&P 100 companies, based on information publicly available on company websites. CPA will update the Index annually and will expand it in 2012 to cover the S&P 500.

Protecting Shareholders, Corporations, and Democracy

The CPA-Zicklin Index measures corporate disclosure and accountability for political spending. Since the Center for Political Accountability began operating in 2003, it has helped advance these themes to company agendas. Today, more than half of the leading American companies in the S&P 100 have embraced the model proposed by the Center and its shareholder partners.

CPA's model builds on longstanding principles. Almost a century ago, Louis Brandeis, who would later become a Supreme Court justice, wrote, "Sunlight is said to be the best of disinfectants." More recently, the Supreme Court recognized in *Citizens United* the importance of disclosure to both shareholders and democracy.

***Citizens United* Creates a New Environment for Political Spending**

In *Citizens United*, the Supreme Court made corporate accountability and transparency even more essential for investors that wish to assess the kinds of risks associated with their companies' political spending.

The decision, while leaving in place the prohibition on corporations contributing directly to federal candidates and political parties, allows companies to spend unlimited sums in their own names or contribute to trade associations and other non-profit groups that engage in political spending. The corporate political spending cannot be coordinated with a candidate or political party.

U.S. companies are at a crossroads. As a result of *Citizens United*, American corporations must now decide for themselves how, and to what extent, they will devote their treasury funds to influence elections.

The decision has had immediate impact. In the 2010 election cycle, outside, or non-political party, organizations reported spending \$305 million, more than four times what they spent in the 2006 midterm elections.⁷ Tax-exempt groups that disclosed no information about their donors spent \$135.6 million of the total.⁸

One company's experience in 2010 highlighted the risks of political activity. A \$150,000 donation by Target to a pro-business organization in Minnesota sparked a public backlash. The retail chain's critics assailed the company over the group's support for a gubernatorial candidate who had proposed a constitutional amendment barring civil unions for gay couples.

Although Target had received a top rating from the Human Rights Campaign's Corporate Equality Index, it faced a boycott movement and store protests. Within weeks, an anti-Target group on Facebook and a shareholder's resolution to revise Target's political spending process appeared. Target later apologized. It promised a strategic review of decision-making for political spending.

Raising Secret Dollars for a Presidential Election

Outside, or non-party organizations, plan to raise far more money in 2012,⁹ the first presidential election year since *Citizens United*. Analysts predict that political spending by anonymous-donor groups will soar.¹⁰

Crossroads GPS, a pro-Republican organization, spent \$17 million in undisclosed contributions in 2010. The spending affected the outcome of many races, according to election experts.¹¹ In 2011, Democrats have joined Republicans in organizing to raise millions of secret dollars through similar anonymous-donor groups, called 501(c)(4)s for the section of federal tax law that permits them to participate in political activity. These developments could generate more pressure on corporations to spend to influence elections.

Heightening the Need for Corporate Accountability and Transparency

As avenues for corporate political money proliferate, the need for greater transparency and accountability on the part of companies increases.

Companies have a duty to shareholders to ensure that corporate funds are used in ways that advance long-term company interests and enhance shareholder value. The Conference Board said

⁷ J. Crewdson, A. Fitzgerald, J. Salant and C. Babcock, "Secret Donors Multiply in U.S. Election Spending," *Bloomberg*, May 19, 2011, <http://www.bloomberg.com/news/2011-05-19/secret-donors-multiply-in-u-s-with-finances-dwarfing-watergate.html>.

⁸ Public Citizen, "12 Months After: The Effects of Citizens United on Elections and the Integrity of the Legislative Process," Jan. 2011, p. 10.

⁹ Dan Eggen, "New breed of 'super PACs,' other independent groups could define 2012 campaigns," *Washington Post*, July 4, 2011, http://www.washingtonpost.com/politics/new-breed-of-super-pacs-other-independent-groups-could-define-2012-campaign/2011/06/29/gHQAo47FyH_story.html; Brody Mullins, "2012 Election Spending Race Heats Up: Independent Conservative Groups Set Goal of \$120 Million," *Wall Street Journal*, Mar. 1, 2011, <http://online.wsj.com/article/SB10001424052748703749504576172853080331590.html>.

¹⁰ Kenneth P. Vogel, "Both sides now in dash for anonymous cash," *Politico*, Aug. 9, 2011, <http://www.politico.com/news/stories/0811/60731.html>; J. Crewdson, A. Fitzgerald, J. Salant and C. Babcock, "Secret Donors Multiply in U.S. Election," *Bloomberg*, May 19, 2011, <http://www.bloomberg.com/news/2011-05-19/secret-donors-multiply-in-u-s-with-finances-dwarfing-watergate.html>.

¹¹ Jonathan D. Salant, "Rove, Burton Political Groups Are Subject of IRS Complaint," *Bloomberg*, Sept. 28, 2011.

in its 2010 *Handbook of Corporate Political Activity* that while there is no fiduciary duty of political spending oversight:

[P]olitical spending as a corporate activity involves questions of risk identification and risk management, compliance with specific regulations, and the dictates of the company's ethics code. Corporate political spending can introduce issues of reputational risk as well as the risk of noncompliance with spending and reporting requirements. In this respect, political spending can be considered another area of potential corporate vulnerability that may require some form of board oversight.¹²

Shareholders need to know how their money is used to influence elections so they can assess possible risks and hold a company accountable. Corporations, by channeling contributions through conduits, can leave shareholders unaware of political activity. And many companies are themselves unaware of how their trade associations, or other tax-exempt groups to which they contribute, use their funds for political purposes.

CPA and the Wharton School's Zicklin Center make available the Corporate Political Disclosure and Accountability Index against this backdrop of *Citizens United* and a significantly increased need for transparency and oversight.

¹² *Handbook on Corporate Political Activity*, The Conference Board, November 2010, p. 17.

CHAPTER 1: SCORING OF KEY POLICY AND PRACTICE INDICATORS

To assess companies for political transparency and accountability, CPA, working with Mr. Kinder and Prof. Laufer, identified a total of 29 indicators to gauge disclosure, policies, compliance, and oversight (see Appendix 2, CPA-Zicklin Index Indicators).

Of these 29 indicators, CPA selected seven indicators for evaluating basic company performance overall. Focusing on these seven Key Policy and Practice Indicators, CPA scored S&P 100 companies, based on a maximum possible score of 25 points.

2011 Index Results: Scoring for Key Policy and Practice Indicators

- **CORPORATE LEADERS:** Leading the CPA-Zicklin Index with scores of 100 points¹³ each are Colgate-Palmolive Co., Exelon Corp., IBM and Merck.

Other companies scoring in the top tier are Johnson & Johnson, 92; Pfizer Inc., 92; United Parcel Service, 88; Dell Inc., 84; Wells Fargo & Co., 84; EMC Corp., 84; MetLife Inc., 84; Time Warner Inc., 84; US Bancorp, 84; National Oilwell Varco, 78; Altria Group Inc., 76; and Weyerhaeuser Co., 76.

Twenty-six companies rank in the second tier with overall scores between 51 and 75 points. Some of these companies, led by Campbell Soup, Intel and Microsoft, are poised to advance into the top tier, if they adopt some refinements to their policies. Twenty-seven companies rank in the third tier, receiving scores between 26 and 50 points. Thirty companies rank in the fourth tier.

CPA determined the following to be Key Policy and Practice Indicators:

1. Disclosure of contributions or expenditures to candidates and committees;
2. Disclosure of independent expenditures;
3. Disclosure of payments to trade associations and other tax-exempt groups used for political purposes;
4. Disclosure of payments to ballot measure committees;
5. Archived reports on website of direct spending;
6. Policy of regular board oversight; and
7. Semiannual posting of political spending report.

¹³ The scores represent the percent of the maximum score of 25 achievable for these seven indicators.

Table 1: 2011 Index Results: Ranking by Key Policy and Practice Indicators¹⁴

Top Tier	Score	Second Tier	Score	Third Tier	Score	Bottom Tier	Score
16 COMPANIES		26 COMPANIES		27 COMPANIES		30 COMPANIES	
Colgate-Palmolive Co.	100	Campbell Soup Co.	72	Norfolk Southern Corp.	50	3M Co	24
Exelon Corp.	100	Intel Corp.	72	Avon Products	48	Raytheon Co	22
Intl Business Machines Corp.	100	Microsoft Corp.	72	Chevron	48	The Bank of New York Mellon Corp	22
Merck & Co Inc.	100	Schlumberger Ltd.	72	Monsanto Co.	46	Kraft Foods Inc.	20
Johnson & Johnson	92	United Technologies Corp.	72	Abbott Laboratories	44	Xerox	20
Pfizer Inc.	92	Amgen Inc.	68	American Electric Power	44	Allstate Corp.	16
United Parcel Service Inc.	88	News Corporation	68	Bristol-Myers Squibb	44	Apple Inc.	16
Dell Inc.	84	ConocoPhillips	64	Citigroup Inc.	44	Caterpillar Inc.	16
Wells Fargo & Co.	84	General Electric Co.	64	Home Depot Inc.	44	Comcast Corp.	16
EMC Corp.	84	Procter & Gamble	64	Morgan Stanley	44	JP Morgan Chase & Co.	16
MetLife Inc.	84	Hewlett-Packard Co.	62	Alcoa Inc.	40	Qualcomm Inc.	16
Time Warner Inc.	84	UnitedHealth Group Inc.	62	Exxon Mobil Corp.	40	Walgreen Co.	16
US Bancorp	84	American Express Co	60	Google Inc.	40	Lockheed Martin	14
National Oilwell Varco Inc.	78	Gilead Sciences Inc.	60	Medtronic Inc.	40	Freeport McMoRan Copper & Gold	12
Altria Group Inc.	76	Sara Lee Corp.	60	PepsiCo Inc.	40	AT&T Inc.	8
Weyerhaeuser Co.	76	Baxter Intl Inc.	56	Coca-Cola Co.	36	Occidental Petroleum	8
		Dow Chemical	56	Heinz, H.J. Co.	36	Amazon.com Inc.	0
		DuPont, E.I. de Nemours	56	NYSE Euronext	34	Baker Hughes Inc.	0
		Entergy Corp.	56	Boeing Co.	32	Berkshire Hathaway	0
		Goldman Sachs Group Inc.	56	Honeywell Intl Inc.	32	Cisco Systems Inc.	0
		McDonald's Corp.	56	Oracle Corp.	32	Costco Wholesale Corp.	0
		Target Corp.	56	General Dynamics	30	CVS Caremark Corp.	0
		Texas Instruments Inc.	56	Bank of America Corp.	28	Devon Energy Corp.	0
		Verizon Communications Inc.	56	FedEx Corp.	28	Halliburton Co.	0
		Williams Cos Inc.	56	Ford Motor Co.	28	Lowe's Cos Inc.	0
		Regions Financial Corp.	52	Southern Co.	28	MasterCard Inc.	0
				Capital One Financial	26	NIKE Inc.	0
						Sprint Nextel Corp.	0
						Wal-Mart Stores	0
						Walt Disney Co.	0

Note: Rankings are based on the percent of the maximum score achieved for the seven indicators. For detailed scores for each of the seven indicators for each company, see Appendix 3.

¹⁴ To view company scores for each of the 29 indicators used in compiling the CPA-Zicklin Index, go to <http://www.politicalaccountability.net>.

CHAPTER 2: ASSESSING BOARD OVERSIGHT OF POLITICAL SPENDING

Why is board oversight of corporate political spending important?

Board oversight assures internal accountability to shareholders and to other stakeholders. It is becoming a corporate governance standard.

The Conference Board's *Handbook on Corporate Political Activity* recognized the hazards of political spending and the value of robust oversight:

Companies that adopt robust approval and oversight policies that cover the full range of corporate political activity and accountability are better positioned to avoid the serious financial, legal, and reputational risks associated with political spending while protecting shareholder value and promoting the company's best interests.¹⁵

The Handbook also stated that a deliberative decision-making process for political spending permits a company to deflect undue political pressure to contribute.¹⁶

2011 Index Results: Board Oversight of Political Spending

- **COMPANIES WITH BOARD OVERSIGHT:** Of the 83 companies that directly engage in political spending, 65 have some level of board oversight of their political contributions and expenditures.
- **COMPANIES WITH BOARD COMMITTEE OVERSIGHT:** Fifty-three of the 65 companies with board oversight have designated a specific board committee to oversee the spending. Seventeen companies assign that responsibility to the public policy or public affairs committee, while 15 companies place the responsibility in the nominating and corporate governance committee. (See Appendix 4)
- **COMPANIES WITH REVIEW OF INDIRECT SPENDING:** Of the 53 companies that have a board committee oversee their corporate political spending, only 10 state on their websites that the committee also reviews the company's indirect expenditures made through trade associations and other tax-exempt groups.
- **SEMI-ANNUAL REPORTING:** Of the 57 companies that disclose their direct spending, only 14 post their spending reports semi-annually. The companies are: Amgen Inc., EMC Corp., Exelon Corp., Gilead Sciences Inc., Johnson & Johnson, McDonald's Corp., Medtronic Inc., Merck & Co Inc., News Corporation, Pfizer Inc., Time Warner Inc., United Parcel Service Inc., US Bancorp, and Verizon Communications Inc. Since 2005, shareholders asking companies to disclose their spending have also asked for semi-annual reporting, yet more than 75 percent of those disclosing their direct spending are not doing so.

¹⁵ *Handbook on Corporate Political Activity*, The Conference Board, November 2010, p. 4.

¹⁶ *Ibid*, p. 23.

CHAPTER 3: ASSESSING DISCLOSURE OF CORPORATE POLITICAL SPENDING

Why is corporate disclosure of political spending important?

This report's Introduction discussed the importance of disclosure for protecting shareholders, corporations, and the public. In its *Citizens United* ruling that lifted all but a handful of restraints from corporate political spending, the Supreme Court gave its reasoning about the importance of disclosure:

With the advent of the Internet, prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold corporations and elected officials accountable for their positions and supporters.

Shareholders can determine whether their corporation's political speech advances the corporation's interests in making profits, and citizens can see whether elected officials are in the pocket of so-called moneyed interests.¹⁷

Disclosure of corporate political spending helps ensure that board oversight (see Chapter 2) is meaningful and effective. It gives shareholders the facts they need to judge whether corporate spending is in their best interest. It identifies possible sources of risk.

Disclosure also can provide invaluable early warning signals about potential company problems or questionable management behavior.¹⁸

2011 Index Results: Corporate Leaders for Overall Disclosure

- **COMPANY LEADERS IN DISCLOSURE:** Leading the CPA-Zicklin Index for disclosure of political spending are Exelon Corp., Merck & Co. Inc., Altria Group Inc., EMC Corp., Time Warner Inc., US Bancorp, Dow Chemical, MetLife Inc., Baxter International Inc., and UnitedHealth Group Inc. (See Table 2: Leaders in Disclosure)

CPA relied on the following indicators for reviewing corporate disclosure:

1. Disclosure of details of contributions to candidates and political committees, where the law permits;
2. Disclosure of details of independent expenditures;
3. Disclosure of the non-deductible portion of dues and payments made to trade associations and other tax-exempt groups, and used for political activity;
4. Disclosure of contributions for ballot measures;
5. Disclosure of titles or positions of managers making political spending decisions;

¹⁷ *Citizens United v. Federal Election Commission*, 130 S. Ct. 876, 916 (2010).

¹⁸ See "Hidden Money: The Need for Transparency in Political Finance," Committee for Economic Development, Sept. 2011, p. 3.

6. Disclosure of archived records about direct and indirect political spending; and
7. Disclosure of archived records of trade association spending reports.

Table 2: Leaders in Disclosure

Company	Contributions to candidates & political parties?	Independent expenditures?	Payments to trade associations and other tax exempt groups?	Contributions to ballot measures?	Titles of managers overseeing political spending?	Archive of political spending reports?	Archive of trade associations spending reports?
Exelon Corp	yes	yes	yes	yes	yes	yes	yes
Merck & Co Inc.	yes	yes	yes	yes	yes	yes	yes
Altria Group Inc.	yes	yes	partial	yes	yes	yes	yes
EMC Corp	yes	no	yes	yes	yes	yes	yes
Time Warner Inc.	yes	no	yes	yes	yes	yes	yes
US Bancorp	yes	no	yes	yes	yes	yes	yes
Dow Chemical	yes	no	yes	yes	yes	no	no
MetLife Inc.*	yes	no	yes	yes	no	n/a	n/a
Baxter International Inc.	yes	no	yes	no	yes	yes	yes
UnitedHealth Group Inc.	yes	no	partial	yes	partial	partial	partial

* MetLife adopted policies on disclosure and oversight in 2011.

2011 Index Results: Corporate Disclosure of Direct Political Spending

- **COMPANIES DISCLOSING SPENDING:** Eighty-three companies spend money directly to support political candidates or committees. Of this group, 57 companies disclose details of their spending on their websites.
- **COMPANIES DISCLOSING BALLOT MEASURES:** Ninety-one companies either spend on ballot measures or have adopted policies that are unclear about this type of spending. Of this group, 39 companies report details of spending on ballot measures.
- **COMPANIES PROHIBITING INDEPENDENT EXPENDITURES:** Twenty-four companies decided against making independent political expenditures – which were permitted by *Citizens United* – and adopted policies against using corporate dollars for that end.
- **COMPANIES WITHOUT EXPLICIT BANS ON INDEPENDENT EXPENDITURES:** Seventy-five companies do not explicitly prohibit independent expenditures, or they leave open the possibility of such spending. Of these, 11 companies disclose their independent expenditures or say they will disclose if they engage in this spending. Sixty-four do not disclose details of their independent expenditures or are unclear in their policies.

Company policies on disclosing independent expenditures leave room for substantial improvement.

On their websites, many companies stay silent about independent expenditures. By contrast, Merck & Co.'s website provides a strong example of clear language:

Merck has not used corporate funds to make any direct independent expenditures on behalf of candidates running for public office and does not currently have plans to use independent expenditures as part of Merck's corporate political contributions program. Should a situation warrant Merck's participation in independent expenditures, we would be fully transparent as we are with all other political contributions.¹⁹

Unique Dangers of Indirect Political Spending

The CPA-Zicklin Index indicates that companies' indirect spending policies and practices present the greatest opportunity for increased disclosure.

In 2004, few if any companies voluntarily disclosed the portion of their payments to trade associations and to other tax-exempt groups that were used for political purposes. The Index reflects that 43 companies in the S&P 100 now disclose some of this information, but it is incomplete.

Trade associations and tax-exempt "social welfare" organizations, which also are known as 501(c)(4)s for the section of federal tax law under which they organize, provide major avenues for secret financing of elections. Trade associations are not required to disclose their members, and 501(c)(4)s can keep their donors secret.

Corporations can make unlimited payments to trade associations and 501(c)(4)s. This funding poses a great risk that companies will be unaware of how their money, passed through a conduit group, is spent for political purposes. It also poses a risk that a company's payment could be leaked or inadvertently disclosed and could create problems for company.

After *Citizens United*, the nation faces the prospect of elections soaring in cost and funded by hidden donations from corporations. Seven of the top 10 political spending groups in 2010, outside of political party committees, revealed nothing about their donors, according to a report by Public Citizen.²⁰

2011 Index Results: Corporate Disclosure of Indirect Political Spending

- **COMPANIES DISCLOSING INDIRECT SPENDING:** Forty-three companies disclose some information about their indirect spending through trade associations or other tax-exempt groups.
- **COMPANIES WITH VARYING DISCLOSURE LEVELS:** Of the 43 companies, 26 disclose the portion of their trade association payments, or funds paid to tax-exempt third-party groups, that are used for political or lobbying purposes. Another 17 companies disclose less detailed information about their trade associations, such as listing their memberships but failing to disclose the amounts used for political purposes.

¹⁹ <http://www.merck.com/about/views-and-positions/indp-expenditure-15mar11-pps.pdf>

²⁰ Public Citizen, "12 Months After: The Effects of Citizens United on Elections and the Integrity of the Legislative Process," Jan. 2011, p. 10.

- **COMPANY OBSERVING THIRD-PARTY SPENDING DISCLOSURE:** One company, Avon, discloses details of its trade association and other third-party group spending.
- **COMPANIES IMPOSING RESTRICTIONS:** Four other companies prohibit trade associations or other tax-exempt groups from spending the companies' payments for political purposes. These companies are Colgate-Palmolive, International Business Machines Corp., Target Corp., and Wells Fargo & Co.

Table 3: Companies disclosing payments to trade associations and other tax-exempt groups used for political purposes

Full Disclosure Companies	Partial Disclosure Companies
Alcoa Inc.	Abbott Laboratories
American Electric Power	Altria Group Inc.
American Express Co.	Avon Products*
Baxter Intl Inc.	Capital One Financial
Bristol-Myers Squibb	Chevron
Campbell Soup Co.	Coca-Cola Co.
Dell Inc.	ConocoPhillips
Dow Chemical	General Dynamics
DuPont, E.I. de Nemours	General Electric Co.
EMC Corp.	Heinz, H.J. Co.
Entergy Corp.	Johnson & Johnson
Exelon Corp.	Lockheed Martin
Gilead Sciences Inc.	Pfizer Inc.
Hewlett-Packard Co.	Procter & Gamble
Intel Corp.	Weyerhaeuser Co.
Merck & Co Inc.	Xerox
MetLife Inc.	
Microsoft Corp.	
Norfolk Southern Corp.	
NYSE Euronext	
Texas Instruments Inc.	
Time Warner Inc.	
United Parcel Service Inc.	
United Technologies Corp.	
UnitedHealth Group Inc.	
US Bancorp	

* Avon also discloses the details of this indirect spending. See:

<http://avoncompany.com/aboutavon/corporategovernance/docs/2010.Poli.Contribute.report.pdf>

CHAPTER 4: ASSESSING POLICIES ON POLITICAL SPENDING, AND RESTRICTIONS

The CPA-Zicklin Index reflects a wide range of policies posted by S&P 100 companies on political spending. Most companies in the S&P 100 are at least moving toward an articulated policy. Some of the posted policies are comprehensive and robust. Some are incomplete and weak.

Why is it important for a company to spell out objective criteria on political spending?

By setting out objective criteria, a company provides a context for decision-making. An articulated policy provides a means for:

- Evaluating benefits and risks of political spending;
- Measuring whether such spending is consistent, and is aligned with a company's overall goals;
- Determining a rationale for the expenditure;
- Judging whether the spending achieves its goals.

The CPA-Zicklin Index also reflects that many companies have placed restrictions on their political spending. This represents a major change since 2004, when few imposed such restrictions or had clear policies to that effect.

2011 Index Results: More Companies Restrict Political Spending

- **INDEPENDENT EXPENDITURES:** Twenty-four companies in the S&P 100 have a policy prohibiting use of corporate treasury funds for independent expenditures, a type of spending that was permitted by *Citizens United*.
- **DIRECT SPENDING:** Sixteen companies do not use corporate treasury funds for direct spending on political candidates or committees.
- **BALLOT MEASURES:** Eight companies explicitly prohibit spending on ballot measures with corporate funds, or they have an across-the-board policy of no direct political spending.

Table 4: Prohibitions on Corporate Funds for Political Activity

	Does not spend on candidates or committees	Does not spend on independent expenditures	Does not spend through its trade associations	Does not spend on ballot measures
American Express Co.		√		
Avon	√	√		√
Campbell Soup		√		
Citigroup		√		
Colgate-Palmolive	√	√	√	√
Dell	√	√		√
Ford Motor	√	√		
General Electric		√		

	Does not spend on candidates or committees	Does not spend on independent expenditures	Does not spend through its trade associations	Does not spend on ballot measures
Goldman Sachs	√	√		
Honeywell		√		
IBM	√	√	√	√
Intel		√		
Johnson & Johnson		√		
McDonalds		√		
Microsoft		√	√*	
National Oilwell Varco	√	√		
Pfizer		√		
Procter & Gamble	√	√		
Regions Financial	√	√		√
Sara Lee	√	√		√
Schlumberger	√	√		√
United Technologies		√		
Wells Fargo	√	√	√	
Weyerhaeuser		√		
FedEx				√
Freeport McMoRan	√			
NYSE Euronext	√			
Southern Co.	√			
Target			√	
Texas Instruments	√			

***Microsoft** does not engage in direct independent expenditures and restricts its trade associations from using its dues for electioneering communications and independent expenditures. **Note:** Not included in this list is **Merck**, which allows for all types of spending except state judicial elections.

2011 Index Results: Top Companies for Posted Political Spending Policies

- **SCOPE OF ROBUST COMPANY POLICIES:** The 16 companies that scored in the top tier for Key Policy and Practice Indicators (See Chapter 1) have stand-alone, comprehensive policies addressing these topics: types of political activity a company will engage in, types it will not engage in, and reasons for each; the appropriate decision-makers in management disclosed by title or position; the process for deciding upon political activity; and the criteria for making these decisions.
- **COMPANIES IDENTIFYING RECIPIENTS:** Of the 89 companies that post their policies, 74 companies identify the types of organizations that would qualify as proper recipients of their spending. These 74 companies also identify the types of organizations that the companies would *not* fund, such as state candidates, independent-expenditure groups or ballot measures. (See Table 4 above for the types of spending certain companies avoid.)
- **CRITERIA DISCLOSURE:** Thirty-five companies disclose at least some of the criteria they use in making decisions about political spending, such as:
 - ⇒ The candidate's holding of a leadership or policy position in his party or on a standing committee of the Congress;

- ⇒ The candidate's relationship or representation of an operating facility or company operations;
 - ⇒ Other sources of financial assistance available to the candidate;
 - ⇒ The alignment of the candidate's voting record with the company's values and positions.
- **GAPS MAY MEAN WEAKER COMPANY POLICIES:** At the other end of the company rankings for Policy Indicators, incomplete policies abound. Some state a policy for employee spending but do not address corporate political activity in their codes of conduct. Others may state that any political spending with corporate funds requires approval, but they do not address the question of indirect spending through trade associations and other tax-exempt groups.

CHAPTER 5: ASSESSING RESULTS BY SECTOR

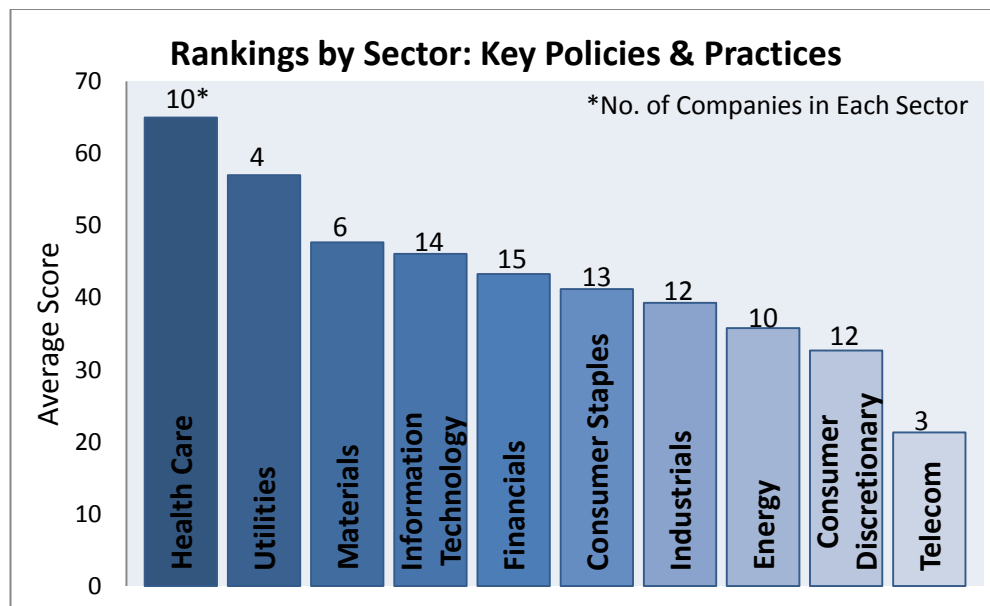
Companies often examine their own policies and practices in comparison with other companies in their business sector. To facilitate this kind of corporate peer review, CPA has broken down disclosure and accountability scoring by business sector.

2011 Index Results: Health Care and Utilities Sectors Score Highest for Key Policy and Practice Indicators

The CPI-Zicklin Index covers 10 corporate sectors. Companies in the health care sector rank highest when scored using the Key Policy and Practice Indicators, averaging 65 points. Companies in the utilities sector rank next in line (57), followed by the materials sector (48), and information technology companies (46).

Companies in the telecommunications sector received the lowest scores. With only three companies represented in the sector, the range of scores varied greatly. Verizon received a score of 56 points, out of a possible 100, while AT&T received 8 and Sprint Nextel, zero. Notably, a majority²¹ of Sprint Nextel shareholders voted at the company's 2011 annual meeting in support of a shareholder resolution asking the company to disclose details of its spending and to adopt board oversight.

Chart 1: Sector Rankings by Key Policies and Practices



Note: Scores represent the percentage of the maximum score achievable – 25.

2011 Index Results: Health Care Sector Leads on Disclosure, Policy, and Oversight

²¹ Based on the total votes cast For and Against.

Companies in the health care sector received the highest average score, of 55 points, when sectors were evaluated for disclosure alone. The materials sector ranks second (averaging 48 points) and utilities sector third (47).

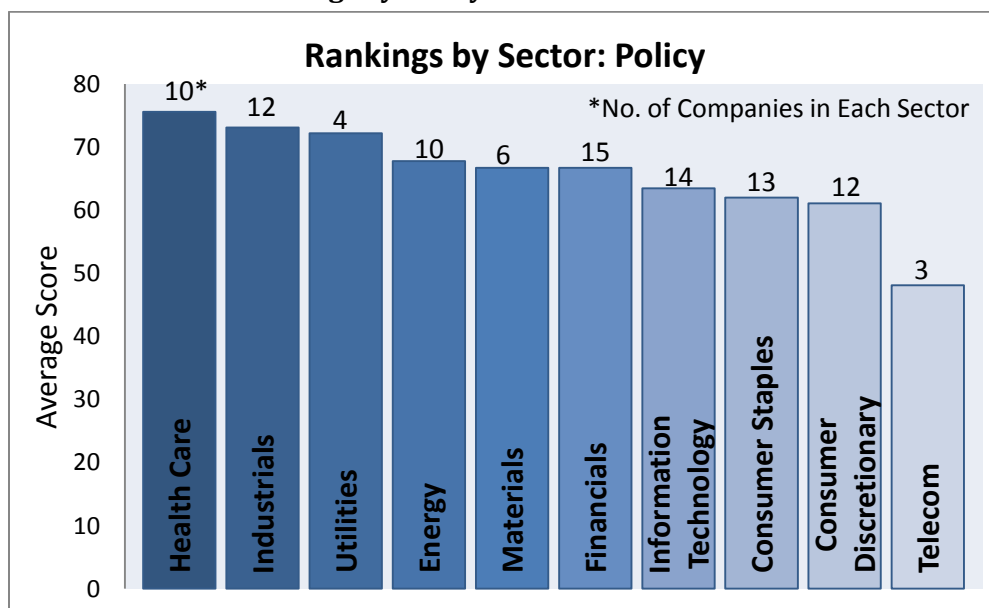
Chart 2: Sector Rankings by Disclosure



Note: Averages are based on the percentage of the maximum score achievable – 69.

When evaluated for their posted policies on disclosure and accountability, the health care (averaging 76 points), industrials (73) and utilities (72) sectors rank highest.

Chart 3: Sector Rankings by Policy



Note: Averages are based on the percentage of the maximum score achievable – 69.

CPA also compared company sectors for oversight. Companies in the health care sector led their peers in other sectors with an average of 45 points, with the energy and utility sectors receiving the next highest scores of just over and just under 35 points, respectively.

The company sectors received lower scores overall in this category, reflecting gaps in board monitoring of company political spending and policies.

Chart 4: Sector Rankings by Oversight



Note: Averages are based on the percentage of the maximum score achievable – 69.

APPENDICES

Appendix 1: Methodology

In late 2003, the Center for Political Accountability launched an initiative to persuade companies to adopt board oversight and disclosure of political spending. Today, the CPA-Zicklin Index provides a scorecard: It measures how corporations have changed their policies and practices over time; and it portrays how companies are positioning themselves for the future.

Genesis of the Index

Recognizing the change in company policies and behavior, Prof. Laufer, a member of CPA's board, suggested that a point had been reached in 2009 where company policies and practices on political disclosure and accountability should be rated. At the Center's July board meeting, he proposed that the Index be created. CPA and Baruch College held several meetings in the fall of 2009 and early 2010 to explore developing the Index jointly. However, the Center decided in 2010 to pursue the Index separately with Wharton School's Zicklin Center to give greater emphasis to the details of companies' disclosure, policies, and oversight, and to employ a different methodology for scoring the companies.

The Index will be updated annually. For 2011, CPA chose to rate the policies and practices of the S&P 100 because it is composed of leading publicly traded companies in the United States. (One S&P 100 company, Philip Morris International, does not have operations in the United States and thus was excluded from the survey.) In 2012, the Index will be expanded to rate the policies and practices of the S&P 500.

Collecting Data

The Index is descriptive. Scoring is based on information available from each company's website, collected by graduate students in public policy and public administration under supervision of CPA staff. In February 2011, CPA sent letters to all companies in the S&P 100 informing them of the project and providing a copy of the indicators to be used in rating companies. The data were collected between March and May 2011.

The Index relies on 29 indicators developed by CPA under the direction of Mr. Kinder and Prof. Laufer. The indicators draw on emerging best practices identified in *The Conference Board's Handbook on Corporate Political Activity*, co-authored by CPA, and on the model code of conduct for political spending developed by the Center in 2007. CPA also asked approximately 60 experts in the corporate, NGO, academic, and institutional investor communities to review the indicators.

Applying the Indicators; Notice to Companies

Once raw data were collected from the companies' websites, CPA staff reviewed the data and scored each company's policies and practices by using the indicators regarding disclosure, policy, and compliance and oversight. The score applied to each indicator was "0" (for no fulfillment of the indicator), "1" (for partial fulfillment), or "2" (for fulfillment). If an indicator did not apply, the company received the maximum possible score for the indicator.

Seven indicators were designated as Key Policy and Practice Indicators, and they were more heavily weighted. (See Appendix 3 for a list of the indicators and the weighting scheme.)

CPA developed preliminary scores and sent letters informing each company of its individualized results. Thirty-three of the companies, or one-third of the companies in the survey, replied with questions and comments. Their responses clarified policies and practices and also provided feedback on the indicators used in the Index. As a result of the discussions with CPA that followed, many companies committed to or implemented increased disclosure and oversight of political spending. These discussions, as well as guidance from the Index Advisory Committee, have provided helpful ideas for refining the indicators in 2012.

Determining Final Scores

Initially, the deadline for company responses was July 26, 2011. Given the high number of company responses, the deadline was extended to Aug. 6. During the discussion period that ended then, companies were given an opportunity to post changes to their web sites regarding changes in policies and practices. CPA took these changes into account in determining final scores for the companies.

Other companies have revised or updated their practices or policies subsequent to the Aug. 6 deadline. These changes will be incorporated into the updated Index for 2012.

Safeguarding Objectivity

To develop an objective system for scoring companies, CPA set up an advisory committee. (The members are listed in “Acknowledgments.”)

In determining company scores, CPA conducted an objective review of information available from company web sites. In some instances, the follow-up discussions with companies about their preliminary scores also contributed to this objective review.

Appendix 2: Indicators Reviewed & Maximum Points

DISCLOSURE		
Does the company publicly disclose:		
1.	corporate contributions to candidates and political parties, including the name of the recipient and the amount contributed?	3
2.	independent political expenditures in support of or in opposition to a candidate or political party, the name of the candidate or political party and the amount expended?	4
3.	payments to trade associations and other tax exempt organizations that the recipient organization may use for political purposes?	4
4.	a list of the amounts and recipients of payments made by trade associations or other tax exempt organizations of which the company is either a member or donor?	2
5.	payments made directly or indirectly to influence the outcome of ballot measures, including the name of the recipient and the amount of the payment?	3
6.	the company's managers (by position/title and/or names of the individuals involved) who oversee and/or have final authority over the company's political spending decisions?	2
7.	an archive of each political contribution disclosure report for each year since the company began disclosing the information?	3
8.	an archive of each disclosure report of payments/dues to trade associations and other tax-exempt groups used for political purposes for each year since the company began disclosing the information?	2
POLICY		
Does the company:		
9.	have a publicly available policy statement governing its political contributions and expenditures made with corporate funds?	2
10.	have a policy of making all of its political contributions and expenditures from a separate segregated fund (i.e. political action committee) consisting exclusively of voluntary contributions from employees and shareholders?	2
11.	have a policy that all of its contributions will promote the interests of the company and will be made without regard for the private political preferences of company officers and executives?	2
12.	have a policy that describes the types of organizations and/or candidates considered to be proper recipients of the company's political spending?	2
13.	have specific criteria for making political spending decisions?	2
14.	include its policy on political spending made with corporate funds, if any, in its overall code of corporate conduct?	2
15.	have a policy that requires senior managers to oversee and have final authority over all of the company's political spending?	2
16.	have a policy that the board of directors regularly oversees the company's corporate political activity?	4
OVERSIGHT		
Does the company:		
17.	have a specified board committee, composed entirely of outside directors, that is responsible for overseeing the company's political activity?	2
18.	have a specified board committee that reviews the company's policy on political expenditures?	2
19.	have a specified board committee that reviews the company's political contributions to candidates made with corporate funds?	2
20.	have a specified board committee that reviews the company's payments to trade associations and other tax-exempt organizations which may be used for political purposes?	2
21.	have a specified board committee that is responsible for approving all political spending made with corporate funds?	2
22.	have a policy that a specified board committee issue a report on the company's political spending? Is this report approved by the board as a whole and made public?	2
23.	state on its website that the board of directors or a committee of the board receives regular reports on the company's political spending?	2
24.	post on its website a detailed report of its political spending with corporate funds semi-annually?	4

25. post on its website its policy for approving political spending with corporate funds?	2
26. have a dedicated political disclosure web page which is accessible through the use of general and site-specific search terms such as “political contributions” or “political activity” in its search function, or that is accessible within three mouse-clicks of the company’s homepage?	2
27. report annually on its website on its adherence to its code for corporate political spending?	2
28. request from its trade associations and other similar recipients to report on how the company’s contributions or payments of any sort are used, and if so, make the report public?	2
29. state on its website that outside auditors or independent experts provide periodic oversight of the company’s political activity?	2

Appendix 3: Rankings by Key Policy and Practice Indicators

Company	1. Disclose contributions to candidates & political parties? X1.5=3	2. Disclose independent expenditures? X2=4	3. Disclose payments to trade assoc. & other tax-exempt groups? X2=4	5. Disclose contributions to ballot measures? X1.5=3	7. Archive political spending reports on website? X1.5=3	16. Have policy of board oversight? X2=4	24. Post political spending report semiannually? X2=4	SCORE*
TOP TIER								
Colgate-Palmolive Co.	3	4	4	3	3	4	4	100
Exelon Corp	3	4	4	3	3	4	4	100
Intl Business Machines Corp	3	4	4	3	3	4	4	100
Merck & Co Inc.	3	4	4	3	3	4	4	100
Johnson & Johnson	3	4	2	3	3	4	4	92
Pfizer Inc.	3	4	2	3	3	4	4	92
United Parcel Service Inc.	3	4	4	3	0	4	4	88
Dell Inc.	3	4	4	3	3	4	0	84
EMC Corp.	3	0	4	3	3	4	4	84
MetLife Inc.	3	0	4	3	3	4	4	84
Time Warner Inc.	3	0	4	3	3	4	4	84
US Bancorp	3	0	4	3	3	4	4	84
Wells Fargo & Co.	3	4	4	3	3	4	0	84
National Oilwell Varco Inc.	3	4	0	1.5	3	4	4	78
Altria Group Inc.	3	4	2	3	3	4	0	76
Weyerhaeuser Co.	3	4	2	3	3	4	0	76
SECOND TIER								
Campbell Soup Co.	3	4	4	3	0	4	0	72
Intel Corp.	3	4	4	3	0	4	0	72
Microsoft Corp.	3	4	4	3	0	4	0	72
Schlumberger Ltd.	3	4	0	3	0	4	4	72
United Technologies Corp.	3	4	4	0	3	4	0	72
Amgen Inc.	3	0	0	3	3	4	4	68
News Corporation	3	4	0	3	3	0	4	68
ConocoPhillips	3	4	2	3	0	4	0	64
General Electric Co.	3	4	2	3	0	4	0	64
Procter & Gamble	3	4	2	3	0	4	0	64
Hewlett-Packard Co.	3	0	4	3	1.5	4	0	62
UnitedHealth Group Inc.	3	0	4	3	1.5	4	0	62
American Express Co.	3	4	4	0	0	4	0	60
Gilead Sciences Inc.	3	0	4	0	0	4	4	60
Sara Lee Corp.	3	4	0	3	3	2	0	60

Company	1. Disclose contributions to candidates & political parties? X1.5=3	2. Disclose independent expenditures? X2=4	3. Disclose payments to trade assoc. & other tax-exempt groups? X2=4	5. Disclose contributions to ballot measures? X1.5=3	7. Archive political spending reports on website? X1.5=3	16. Have policy of board oversight? X2=4	24. Post political spending report semiannually ? X2=4	SCORE*
Baxter Intl Inc.	3	0	4	0	3	4	0	56
Dow Chemical	3	0	4	3	0	4	0	56
DuPont, E.I. de Nemours	3	4	4	3	0	0	0	56
Entergy Corp.	3	0	4	3	0	4	0	56
Goldman Sachs Group Inc.	3	4	0	0	3	4	0	56
McDonald's Corp.	3	4	0	3	0	4	0	56
Target Corp.	1.5	0	4	3	1.5	4	0	56
Texas Instruments Inc.	3	0	4	3	0	4	0	56
Verizon Communications Inc.	3	0	0	0	3	4	4	56
Williams Cos Inc.	3	0	4	3	0	4	0	56
Regions Financial Corp.	3	0	0	3	3	4	0	52
THIRD TIER								
Norfolk Southern Corp.	3	0	4	0	1.5	4	0	50
Avon Products	3	4	2	3	0	0	0	48
Chevron	3	0	2	3	0	4	0	48
Monsanto Co.	3	0	0	3	1.5	4	0	46
Abbott Laboratories	3	0	2	3	3	0	0	44
American Electric Power	3	0	4	0	0	4	0	44
Bristol-Myers Squibb	3	0	4	0	0	4	0	44
Citigroup Inc.	3	4	0	0	0	4	0	44
Home Depot Inc.	3	4	0	0	0	4	0	44
Morgan Stanley	3	4	0	0	0	4	0	44
Alcoa Inc.	3	0	4	3	0	0	0	40
Exxon Mobil Corp.	3	0	0	0	3	4	0	40
Google Inc.	1.5	4	0	3	1.5	0	0	40
Medtronic Inc.	3	0	0	3	0	0	4	40
PepsiCo Inc.	3	0	0	3	0	4	0	40
Coca-Cola Co.	3	0	2	0	0	4	0	36
Heinz, H.J. Co.	3	0	2	0	0	4	0	36
NYSE Euronext	3	0	4	0	1.5	0	0	34
Boeing Co.	3	0	0	3	0	2	0	32
Honeywell Intl Inc.	0	4	0	0	0	4	0	32
Oracle Corp.	3	2	0	3	0	0	0	32

Company	1. Disclose contributions to candidates & political parties? X1.5=3	2. Disclose independent expenditures? X2=4	3. Disclose payments to trade assoc. & other tax-exempt groups? X2=4	5. Disclose contributions to ballot measures? X1.5=3	7. Archive political spending reports on website? X1.5=3	16. Have policy of board oversight? X2=4	24. Post political spending report semiannually ? X2=4	SCORE*
General Dynamics	1.5	0	2	0	0	4	0	30
Bank of America Corp.	3	0	0	0	0	4	0	28
FedEx Corp.	0	0	0	3	0	4	0	28
Ford Motor Co.	3	4	0	0	0	0	0	28
Southern Co.	3	0	0	0	0	4	0	28
Capital One Financial	3	0	2	0	1.5	0	0	26
BOTTOM TIER								
3M Co.	0	4	0	0	0	2	0	24
Raytheon Co.	1.5	0	0	0	0	4	0	22
The Bank of New York Mellon Corp	1.5	0	0	0	0	4	0	22
Kraft Foods Inc.	3	0	0	0	0	2	0	20
Xerox	3	0	2	0	0	0	0	20
Allstate Corp.	0	0	0	0	0	4	0	16
Apple Inc.	0	0	0	0	0	4	0	16
Caterpillar Inc.	0	0	0	0	0	4	0	16
Comcast Corp.	0	0	0	0	0	4	0	16
JP Morgan Chase & Co.	0	0	0	0	0	4	0	16
Qualcomm Inc.	0	0	0	0	0	4	0	16
Walgreen Co.	0	0	0	0	0	4	0	16
Lockheed Martin	1.5	0	2	0	0	0	0	14
Freeport McMoRan Copper & Gold	3	0	0	0	0	0	0	12
AT&T Inc.	0	0	0	0	0	2	0	8
Occidental Petroleum	0	0	0	0	0	2	0	8
Amazon.com Inc.	0	0	0	0	0	0	0	0
Baker Hughes Inc.	0	0	0	0	0	0	0	0
Berkshire Hathaway	0	0	0	0	0	0	0	0
Cisco Systems Inc.	0	0	0	0	0	0	0	0
Costco Wholesale Corp.	0	0	0	0	0	0	0	0
CVS Caremark Corp.	0	0	0	0	0	0	0	0
Devon Energy Corp.	0	0	0	0	0	0	0	0
Halliburton Co.	0	0	0	0	0	0	0	0
Lowe's Cos Inc.	0	0	0	0	0	0	0	0
MasterCard Inc.	0	0	0	0	0	0	0	0

Company	1. Disclose contributions to candidates & political parties? X1.5=3	2. Disclose independent expenditures? X2=4	3. Disclose payments to trade assoc. & other tax-exempt groups? X2=4	5. Disclose contributions to ballot measures? X1.5=3	7. Archive political spending reports on website? X1.5=3	16. Have policy of board oversight? X2=4	24. Post political spending report semiannually ? X2=4	SCORE*
NIKE Inc.	0	0	0	0	0	0	0	0
Sprint Nextel Corp.	0	0	0	0	0	0	0	0
Wal-Mart Stores	0	0	0	0	0	0	0	0
Walt Disney Co.	0	0	0	0	0	0	0	0

* Percent of maximum 25 points.

Appendix 4: Companies with Board Committee Oversight of Their Political Spending

Company	Committee
3M Co.	Nominating and Governance Committee
Altria Group Inc.	Nominating, Corporate Governance & Social Responsibility
American Electric Power	Committee on Directors and Corporate Governance
American Express Co.	Public Responsibility Committee
Amgen Inc.	Corporate Responsibility and Compliance Committee
AT&T Inc.	Public Policy Committee
Baxter Intl Inc.	Public Policy Committee
Bristol-Myers Squibb	Directors and Corporate Governance Committee
Caterpillar Inc.	Public Policy Committee
Chevron	Public Policy Committee
Citigroup Inc.	Public Affairs Committee
Coca-Cola Co.	Public Issues and Diversity Review Committee
ConocoPhillips	Public Policy Committee
EMC Corp.	Corporate Governance and Nominating Committee
Entergy Corp.	Corporate Governance Committee
Exelon Corp.	Corporate Governance Committee
Exxon Mobil Corp.	Public Issues and Contributions Committee
General Electric Co.	Public Responsibilities Committee
Gilead Sciences Inc.	Nominating and Corporate Governance
Goldman Sachs Group Inc.	Corporate Governance and Nominating Committee
Heinz, H.J. Co	Corporate Social Responsibility Committee
Hewlett-Packard Co.	Public Policy Committee
Home Depot Inc.	Nominating and Corporate Governance Committee
Honeywell Intl Inc.	Corporate Governance and Responsibility Committee
Intel Corp.	Corporate Governance and Nominating Committee
Johnson & Johnson	Public Policy Advisory Committee
Kraft Foods Inc.	Public Affairs Committee
McDonald's Corp.	Corporate Governance Committee
Merck & Co Inc.	Committee on Public Policy and Social Responsibility
Microsoft Corp.	Governance and Nominating Committee
Monsanto Co.	Sustainability and Corporate Responsibility
Morgan Stanley	Nominating and Governance Committee
Norfolk Southern Corp.	Governance and Nominating Committee
Occidental Petroleum	Audit Committee
Oracle Corp.	Finance & Audit Committee
PepsiCo Inc.	Nominating and Corporate Governance Committee
Pfizer Inc.	Corporate Governance Committee
Procter & Gamble	Governance and Public Responsibility Committee
Qualcomm Inc.	Governance Committee
Raytheon Co.	Public Affairs Committee
Target Corp.	Corporate Responsibility Committee
Texas Instruments Inc.	Public Affairs Committee
The Bank of New York Mellon Corp.	Corporate Social Responsibility Committee

Company	Committee
Time Warner Inc.	Nominating and Governance Committee
United Parcel Service Inc.	Nominating and Corporate Governance Committee
United Technologies Corp.	Public Issues Review Committee
UnitedHealth Group Inc.	The Public Policy Strategies and Responsibility Committee
US Bancorp	Community Reinvestment and Public Policy Committee
Verizon Communications Inc.	Corporate Governance and Policy Committee
Walgreen Co.	Nominating and Governance Committee
Wells Fargo & Co.	Corporate Responsibility Committee
Weyerhaeuser Co.	Governance and Corporate Responsibility Committee
Williams Cos Inc.	Nominating and Governance Committee

Appendix 5: Glossary

Ballot measure committee: A group formed to support or oppose the qualification or passage of a ballot initiative or referendum.

Direct political spending: Contributions to state legislative, judicial and local candidates; political parties and political committees (including those supporting or opposing ballot initiatives); and contributions to other political entities organized and operating under 26 U.S.C. Sec. 527 of the Internal Revenue Code, such as the Democratic and Republican Governors Associations, or so-called “Super PACs.”

Direct spending can also include independent expenditures, which may not be coordinated with any candidate or political committee.

Electioneering communication: A radio or television broadcast that refers to a federal candidate in the 30 days preceding a primary or 60 days preceding a general election (2 U.S.C. § 434(f)(3)).

Independent expenditure: A public communication that expressly advocates the election or defeat of a candidate and is not coordinated with a candidate or political party.

Indirect political spending: Payments to trade associations and other tax-exempt organizations used for political purposes. Under the federal tax code, civic leagues and social welfare organizations (501(c)(4) organizations) and business leagues and trade associations (501(c)(6) organizations) may engage in political campaign activity, so long as the political activity does not comprise the group’s primary activity.

Indirect political spending can include independent expenditures, when corporate payments to trade associations or 501(c)(4)s are in turn spent to purchase ads supporting or opposing candidates, or the trade associations or 501(c)(4)s pass these corporate payments to other organizations.

A company may not be aware that a portion of its dues or other payments is used for political activity.

Political activity/political spending: Any direct or indirect contributions or expenditures on behalf of or in opposition to a candidate for public office or referenda; any payments made to trade associations or tax-exempt entities used for influencing a political campaign; and any direct or indirect political expenditure that must be reported to the Federal Election Commission, Internal Revenue Service, or state disclosure agency.