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Walgreens Boots Alliance, Inc. (WBA)

<http://www.walgreensbootsalliance.com/>

Sector: Consumer Staples

Summary Findings

Room for Improvement: Walgreens Boots Alliance does not disclose on its website contributions to candidates, parties, committees, or its payments to trade associations and other tax-exempt groups, such as 527 or 501(c)(4) organizations. The company also does not disclose its independent political expenditures. No contributions are made “without the prior approval of the Executive Vice President, Global Chief Administrative Officer and General Counsel or the Global Chief Compliance and Privacy Officer,” but it is unclear exactly what types of political spending the company engages in. Walgreens’ lack of disclosure presents a significant gap in transparency as the company does not provide a clear picture of to whom it gives and what kinds of entities are deemed appropriate recipients of political spending.

Recent Corporate Political Spending Developments

The 2014 election was the most expensive midterm election in history, costing \$3.77 billion. Business interests were responsible for close to half of that amount (\$1.65 billion).¹ In the 2016 election cycle, business spent approximately \$2.07 billion—about four times as much as labor, ideological, and other groups combined.²

Companies may give directly to political candidates, committees, and parties at the state and local level.³ They may also give indirectly through third-party groups, including trade associations, super PACs, and entities organized under sections 527 and 501(c)(4) of the Internal Revenue Service code. Contributions to super PACs are required to be reported to the FEC, but contributions to 501(c)(4) “social welfare” groups and trade associations are kept hidden. In recent election cycles, trade associations and 501(c)(4) groups have become the favored vehicles for corporate donors who wish to remain anonymous. These groups may use unlimited general purposes funds for independent expenditures without having to disclose the sources of their funds.

Following the U.S. Supreme Court decision in *Citizens United v. Federal Election Commission* (2010), undisclosed political spending has skyrocketed. Companies can now spend unlimited corporate funds on independent expenditures to support or oppose a candidate as long as they do not coordinate their efforts with the candidates. Super PACs have become the primary vehicles for coordinating. Companies are still prohibited from contributing directly to federal candidates.

I. Overview of Walgreens Boots Alliance’s Political Spending Policy and Activity

¹ <https://www.opensecrets.org/overview/blio.php>.

² Ibid.

³ A total of 22 states prohibit direct contributions by corporations to candidates, while others place lesser limits. For more information, see summary provided by the National Conference of State Legislatures, available at <http://www.ncsl.org/legislatures-elections/elections/campaign-contribution-limits-overview.aspx>.

Policy: Walgreens Boots Alliance does not have a detailed publicly available policy governing the use of corporate funds to engage in political activity. While it does explicitly state that it makes political contributions to federal, state and municipal candidates, the company does not specify other types of contributions that it might make. Walgreens does have a public policy describing the review of political spending by the Nominating & Governance Committee of the Board of Directors, and oversight led by the Executive Vice President, General Counsel & Corporate Secretary.⁴

Disclosure: The company does not disclose any of its political spending, including political expenditures, payments made to trade associations, payments to other tax-exempt groups used for political purposes, payments for/against ballot measures, or contributions to candidates, parties, committees, or 527 groups.

Walgreens Boots Alliance has spent approximately \$9.8 million in corporate funds on political activities since 2004, according to publicly available data.⁵ The exact figure is difficult to determine because reporting at the state level is incomplete and can be misleading, and companies are not required to disclose other types of spending such as their indirect political expenditures via third party groups. The above estimate also excludes payments Walgreens Boots Alliance has made to trade associations or other tax-exempt organizations that fund political activities. These gaps in transparency and accountability may expose the company to reputational, legal and business risks that could threaten shareholder value.⁶

Peer Comparison: A growing number of companies have adopted disclosure and oversight of their political spending. At the time of this report, 153⁷ companies, including almost half of the S&P 100, have committed to disclosure of their political spending policies, the details of the spending, and oversight.

Among sector-related companies,⁸ the following have committed to or currently disclose the above information pursuant to this model:

Consumer Staples-Related Companies With Model Disclosure and Oversight	
Express Scripts	United Parcel Service

III. Election Cycle Spending

Walgreens has contributed approximately \$1,682,500 to 527 groups and \$8,057,891 to state and local recipients since the 2004 election cycle.⁹ See Figure 1.

⁴ Walgreens Public Policy and Political Activities, available at http://files.shareholder.com/downloads/WAG/3590383550x0x673587/5d923e2c-996a-4a13-953d-2c0023c225bb/wag_Public_Policy_and_Political_Activities.pdf

⁵ See Institute for Money in State Politics, www.followthemoney.org and CQ’s Political Moneyline, <http://politicalmoneyline.cq.com>. CPA used these databases to conduct searches on the company’s political giving. The search results do not always distinguish between contributions made with corporate funds and those made by the company PAC. Though the CPA made every effort to exclude any PAC contributions, the figure cited in this report may include contributions made with employee funds.

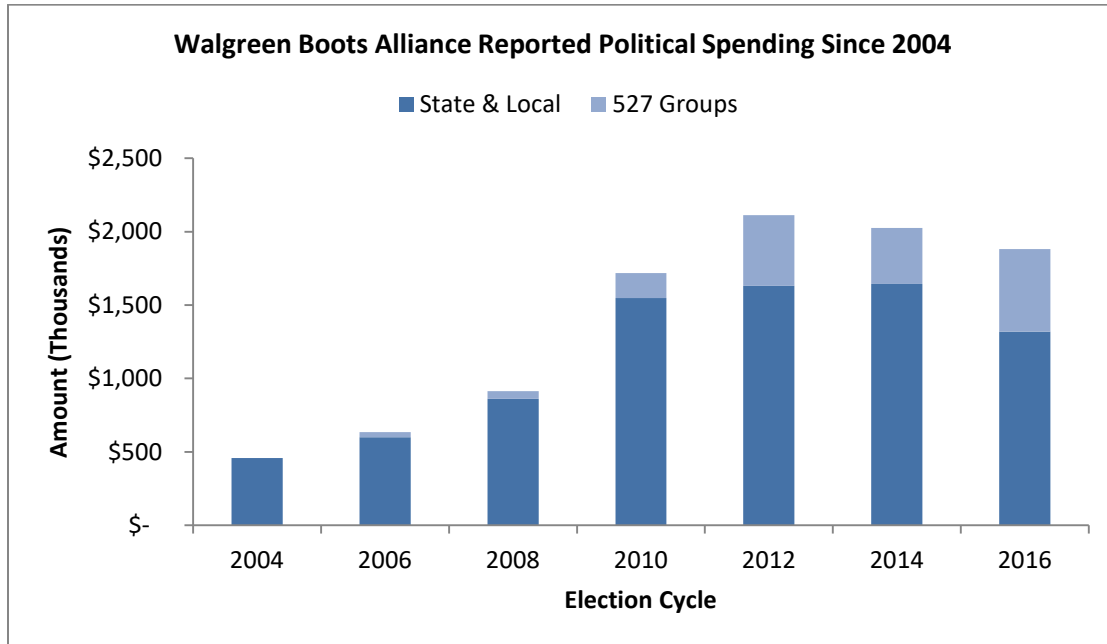
⁶ *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, Feb. 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can Do*, Center for Political Accountability, May 2006.

⁷ This number only accounts for those companies that came to disclosure through an agreement on a shareholder resolution. An increasing number of companies are adopting disclosure without such process, and this number does not account for those.

⁸ CPA used [Google Finance](http://www.google.com) peer group of companies, accessed 1/10/2016.

⁹ See Institute for Money in State Politics, www.followthemoney.org and CQ Political Moneyline <http://politicalmoneyline.cq.com>.

Figure 1



527 Spending

The Democratic and Republican Governors Associations were among the primary 527 groups in receipt of company donations during these years. Similar groups which received significant donations from the company include the Republican State Leadership Committee and the Republican Attorney Generals Association. The RGA was criticized in mid-2008 for raising uncapped donations in the 2008 presidential election.¹⁰

527 Groups in Receipt of Walgreens Boots Alliance Funds Since 2004¹¹

Group	Total Amount Contributed
Republican Governors Association	\$850,000
Republican State Leadership Committee	\$352,000
Democratic Governors Association	\$215,000
Republican Attorneys General Association	\$75,000
Democratic Municipal Officials	\$52,500
Democratic Attorneys General Association	\$50,000
Democratic Legislative Campaign Committee	\$50,000
National Conference Democratic Mayors	\$26,500
Democratic Party of Illinois	\$11,500

State Level Activity

At the state level, Walgreens was politically active in Illinois, California, Florida, Nevada, and Virginia, contributing to individual candidates, parties, and ballot measure committees. The table below lists the top state recipients.

¹⁰ Brody Mullins and T.W. Farnam, "McCain Allies Find Finance-Law Holes," *The Wall Street Journal*, Jul. 3, 2008, available at <http://www.politicalaccountability.net/index.php?ht=a/GetDocumentAction/i/1369>.

¹¹ CQ Political Moneyline, <http://politicalmoneyline.cq.com>.

Walgreens Boots Alliance State Level Spending Since 2004¹²

State	Total Amount Contributed
Illinois	\$2,000,000
California	\$1,497,000
Florida	\$789,000
Nevada	\$300,000
Virginia	\$250,000

Walgreens has contributed to two ballot measure committees in Florida in recent years, including a committee opposing Amendment 5 in 2004, which sought to change the state constitution to raise the minimum wage to \$6.15 per hour, and be indexed to inflation each year in the future. In 2010, Walgreens also contributed to a committee in opposition to Florida Amendment 4, which would have changed the development approval process for the state.

In California, Walgreens gave to a committee in favor of vetoing Proposition 72, overturning a law which would have required employers in the state to provide health care coverage for employees.

Walgreen Boots Alliance Contributions to Ballot Measure Committees¹³

Year	State	Recipient	Amount
2004	CA	Californians Against Government Run Healthcare (proposition 72)	\$100,000
2004	FL	Coalition to Save Florida Jobs	\$100,000
2010	FL	Citizens for Lower Taxes & A Stronger Economy	\$100,000

Independent Expenditures

The *Citizens United* decision allows corporations to fund independent expenditures using unlimited corporate treasury funds. In July 2010, the Center for Political Accountability (“CPA”) and its investor partners surveyed the S&P 500, asking whether the companies intended to engage in independent expenditure activity, and if so, whether they planned on disclosing the expenditures and adopting appropriate oversight procedures. A majority of the responding companies stated that they do not intend to engage in this type of activity, while many respondents declined to state their position or commit to additional disclosure. Others noted that their policies were under review. Walgreens did not respond to the letter.

Other Tax-Exempt Organizations

The *Citizens United* decision opened the way for other tax-exempt organizations to play a much more prominent role as political spenders. They include super PACs and social welfare organizations that are organized under Section 501(c)(4) of the Internal Revenue Code. These organizations can raise and spend unlimited amounts of money on political activities. Provided that less than half of their affairs are considered political, 501(c)(4) groups do not have to report their donors, and have become a major conduit for spending by individuals and organizations that do not want their involvement disclosed. For this reason, spending by 501(c)(4) groups is often referred to as “dark money.”

In the 2014 midterm election cycle, super PACs were responsible for 62 percent of the \$565 million in non-party outside spending.¹⁴ And spending by dark money organizations in 2014 surpassed that of all previous cycles. At \$174 million, dark money spending easily outpaced 2010’s previous record for a midterm election, where such spending topped out at \$135 million. It even tops the \$168.6 million spent in congressional races in 2012.¹⁵ And these figures only include dark money that was reported to the FEC; the Center for Responsive Politics estimates that dark money groups spent at least another \$100 million in the 2014 cycle on advertising that fell outside of the FEC-reporting requirements.¹⁶

¹² The Institute for Money in State Politics, www.followthemoney.org.

¹³ *Ibid.*

¹⁴ See “Outside Spending,” *Center for Responsive Politics*, available at https://www.opensecrets.org/outsidespending/fes_summ.php.

¹⁵ See spending by non-disclosing groups:

<https://www.opensecrets.org/outsidespending/summ.php?cycle=2014&chrt=V&disp=O&type=U>.

¹⁶ <https://www.opensecrets.org/news/2015/02/final-tally-2014s-midterm-was-most-expensive-with-fewer-donors>.

An article in the Winter 2012 issue of *The Conference Board Review* warned of the dangers of such secrecy to corporations. “Some of these [c4] groups...are run by political operatives who have close ties to elected officials and who very likely share with them how companies are responding to requests for contributions..,” it said. “The situation might best be characterized as ‘public anonymity, private disclosure,’ and it leaves companies vulnerable to pressure.”¹⁷

IV. Trade Association Activity

Trade associations serve a variety of purposes. Some engage in political activity through contributions at the state and local level, grassroots lobbying, issue advocacy, and independent expenditures. These activities are funded by dues and other payments from member companies. While not all trade associations are politically active, several major industry groups carry significant political weight.

A complete list of the trade associations or related groups to which Walgreens Boots Alliance belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their entire membership list. Shareholders also do not have access to the amounts Walgreens Boots Alliance pays to trade associations annually or the portion used for the associations’ political spending.

A Center for Political Accountability review of publicly available information found that Walgreens Boots Alliance was a member of the following trade associations in recent years:

- **Business Roundtable** [www.businessroundtable.org]. In 2008, the BRT reported dues of \$20.9 million and lobbying and political expenditures of \$10.2 million.
- **National Association of Chain Drug Stores** [www.nacds.org]. Alex Gourlay (Walgreens Co-Chief Operating Officer) is on the board as vice chairman. In 2014, NACDS reported dues of \$10.6 million and lobbying and political expenditures of \$2.9 million.
- **Retail Industry Leaders Association** [www.rila.org]. Alex Gourlay (Walgreens Co-Chief Operating Officer) serves on the RILA board as an executive committee member. In 2014, RILA reported dues of \$11.6 million and lobbying and political expenditures of \$3.7 million.

It is unclear whether the Walgreens Boots Alliance is a member of the **U.S. Chamber of Commerce** (“the Chamber”) since the organization does not publicly disclose its members. The following table lists the Chamber’s recent political and lobbying expenditures.

U.S. Chamber of Commerce	2011	2012	2013
Reported Dues (\$ millions)	127.2	167.0	\$147.4
Political Expenditures (\$ millions)	0.4	53.8	3.0
Lobbying and Political Expenditures (\$ millions)	47.1	103.3	52.3
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>37.0%</i>	<i>37.0%</i>	<i>35.4%</i>

(Source: IRS Form 990s, available at Guidestar.org)

A portion of the company’s payments to these groups likely was used to underwrite some of this political spending. The company could face reputational or business risks from the political activities of trade associations or groups to which it makes payments. This risk is discussed in the *Handbook on Corporate Political Activity*, released by The Conference Board in November 2010. While “corporate leaders are aware that even when their own actions pose little risk,” it notes, “the behavior of suppliers, trade associations, and other third parties has the potential to affect how their organizations are viewed.”¹⁸ Without disclosure of such payments made by the company, shareholders cannot assess these risks.

¹⁷ Bruce Freed and Karl Sandstrom, “Dangerous Terrain: How to Manage Corporate Political Spending in a Risky New Environment,” *The Conference Board Review*, Winter 2012.

¹⁸ *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010, p.15. Available at www.politicalaccountability.net.

Inadequate disclosure can be problematic for another reason. Shareholders may not be able to evaluate whether the company's political giving aligns with the mission and values of the company. "[G]iven the relative freedom trade associations have to engage in political activity, it may be advisable for companies to inquire about how their own payments to trade associations are spent," the handbook notes. "Without this information about how its contributions are spent, a corporation may unwittingly end up supporting politicians or political causes with which the company may not want to be associated. It may also find its funds being used to promote positions that may not be aligned with its values or business strategies."¹⁹

Walgreen's website highlights the company's commitment to individual health and wellness. It states, "the company advocates for policies that are consistent with our purpose to help people get, stay and live well, and that are aligned with the interests of the business, our customers and our investors."²⁰ It also mentions that "positions will most likely be taken on issues related to reimbursement for pharmacist delivered clinical services, the expansion of the role of pharmacists in the health care delivery system and retail business regulation or taxation."²¹ The 2015 Walgreens Boots Alliance Corporate Responsibility Report states that the company "is committed to be a standout global company in supporting people and the planet, with a focus on serving our communities, environment, marketplace and workplace."²²

V. Transparency and Accountability Analysis

Publicly Disclosed Standards & Procedures Governing Corporate Political Activity

CPA derived the following checklist from existing legal standards, best practice standards among leading corporations and policies that ensure protection of shareholder value. Some of the standards and best practices are included the *Handbook on Corporate Political Activity*.²³ A company that fulfills most of the criteria listed below likely has good governance of its corporate political spending. CPA relied on information that is disclosed on the company website and therefore publicly available to all investors. A company will not get credit for policies or procedures that are not publicly available.

Industry Comparison

One of Walgreens' competitors, Express Scripts, discloses itemized reports of its direct and indirect political spending, including the trade association payments that might be used for political purposes.

Positive Practices

Walgreens Boots Alliance discloses its practices for board oversight of political contributions, including the titles of the senior managers who have final authority over political spending decisions. The company also discloses public policy that is the basis for political spending.

Room for Improvement

Walgreens Boots Alliance does not disclose political contributions made with corporate funds or payments to trade associations and other tax-exempt groups that could be used for political purposes.

¹⁹ *Ibid.*

²⁰ http://files.shareholder.com/downloads/WAG/3590383550x0x673587/5d923e2c-996a-4a13-953d-2c0023c225bb/wag_Public_Policy_and_Political_Activities.pdf

²¹ http://files.shareholder.com/downloads/WAG/3590383550x0x673587/5d923e2c-996a-4a13-953d-2c0023c225bb/wag_Public_Policy_and_Political_Activities.pdf

²² <http://www.walgreensbootsalliance.com/corporate-social-responsibility-report>

²³ *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010. Available at www.politicalaccountability.net.

CPA Checklist on Transparency & Accountability*

Disclosure		Policy	
Contributions to state-level candidates and parties	N	Offers a dedicated webpage for political spending and disclosure	N
Contributions to ballot initiatives	N	Policy names political entities to which the company may or may not give	P
Contributions to 527 organizations, such as Super PACs and governors associations	N	Policy describes the company's public policy priorities, which may provide the basis for political spending decisions	Y
Direct independent expenditures	N	Policy names which senior level executive approves political spending from corporate funds	Y
Non-deductible portions of payments to trade associations	N	Board of directors has oversight of political spending	Y
Payments to tax-exempt organizations such as 501(c)(4) groups used for political purposes	N	Semi-annual reporting of all political expenditures	N
<p><i>*This checklist broadly parallels the key performance indicators used for the 2016 CPA-Zicklin Index of Corporate Political Accountability and Disclosure. Information included here relies only on the information offered publicly on the company's website.</i></p>			