



2011 LAUNCH REPORT

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Corporate Political Disclosure

In January 2010, the United States Supreme Court rendered its decision in the *Citizens United v. Federal Election Commission* case. That verdict allowed corporations (among others) to be much more active in election campaigns, through methods that are publicly disclosed as well as methods that are both undisclosed and unlimited. The Robert Zicklin Center for Corporate Integrity initiated a project to track corporate disclosure of these activities. We define corporate political disclosure as follows:

Corporate political disclosure refers to the corporation's volitional communication to stakeholders of corporate information (resource expenditures, policies, procedures, and governance) relevant to corporate support for political activities (candidates, campaigns, causes, ballot measures, and the like) through either in-kind or monetary expenditure. In the current U.S. institutional environment, mechanisms include direct donation as well as donation via vehicles such as political action committees, trade associations [501(c)(6)s]*, social welfare groups [501(c)(4)s], or 527 committees.

The Baruch Index of Corporate Political Disclosure measures a company's willingness to disclose, or its *transparency*, regarding its corporate political activity with regard to:

- ease with which someone can find the relevant materials on the corporate website;
- what policies, procedures, and corporate governance structures are in place and disclosed; and
- what the corporation says about whom and what it gives to, and how those donations are made.

*The number designation of these various entities pertains to the section of the U.S. tax code governing that particular mechanism.

2011 BARUCH INDEX of CORPORATE POLITICAL DISCLOSURE

Data collected for 2010 & analyzed in 2011



TRANSPARENT 81 to 100	← MODERATE → 61 to 80	MODERATE 41 to 60	MODERATE → 21 to 40	OPAQUE 0 to 20
<p>Colgate-Palmolive Company*</p> <p>Goldman Sachs Group, Inc.</p> <p>International Business Machines Corporation</p> <p>Pfizer Inc</p> <p>Sara Lee Corporation</p> <p>U. S. Bancorp</p> <p>Xerox Corporation</p> <p>* Denotes a firm with no corporate political contributions at state and federal levels</p>	<p>Altria Group, Inc.</p> <p>American Electric Power Company, Inc.</p> <p>American Express Company</p> <p>Amgen Inc.</p> <p>Campbell Soup Company</p> <p>Cisco Systems, Inc.</p> <p>The Coca-Cola Company</p> <p>ConocoPhillips Company</p> <p>Dell Inc.</p> <p>E. I. du Pont de Nemours and Company</p> <p>EMC Corporation</p> <p>Exelon Corporation</p> <p>Exxon Mobil Corporation</p> <p>Hewlett-Packard Company</p> <p>McDonald's Corporation</p> <p>Merck & Co., Inc.</p> <p>Microsoft Corporation</p> <p>PepsiCo, Inc.</p> <p>Philip Morris International Inc.*</p> <p>The Procter & Gamble Company</p> <p>Texas Instruments Incorporated</p> <p>United Technologies Corporation</p> <p>UnitedHealth Group, Inc.</p> <p>Wells Fargo & Company</p> <p>The Williams Companies, Inc.</p>	<p>Alcoa Inc.*</p> <p>Avon Products, Inc.</p> <p>Baker Hughes Incorporated</p> <p>Baxter International Inc.*</p> <p>The Boeing Company</p> <p>Capital One Financial Corp.</p> <p>Chevron Corporation</p> <p>Citigroup Inc.</p> <p>The Dow Chemical Company</p> <p>Entergy Corporation</p> <p>FedEx Corporation</p> <p>Freeport-McMoRan Copper & Gold Inc.</p> <p>General Electric Company</p> <p>Gilead Sciences, Inc.</p> <p>H.J. Heinz Company</p> <p>The Home Depot, Inc.</p> <p>Intel Corporation</p> <p>Johnson & Johnson</p> <p>Kraft Foods Inc.</p> <p>Lockheed Martin Corporation</p> <p>Medtronic, Inc.</p> <p>Monsanto Company</p> <p>Oracle Corporation</p> <p>Regions Financial Corporation</p> <p>Southern Company</p> <p>Target Corporation</p> <p>Time Warner Inc.</p> <p>United Parcel Service, Inc.</p> <p>Verizon Communications Inc.</p> <p>Weyerhaeuser Company</p>	<p>3M Company</p> <p>Abbott Laboratories</p> <p>Apple Inc.</p> <p>AT&T Inc.</p> <p>The Bank Of New York Mellon Corporation</p> <p>Bristol-Myers Squibb</p> <p>Comcast Corporation</p> <p>General Dynamics Corporation</p> <p>Honeywell International Inc.</p> <p>JPMorgan Chase & Co.</p>	<p>The Allstate Corporation</p> <p>Amazon.com, Inc.</p> <p>Bank of America Corporation</p> <p>Berkshire Hathaway Inc.</p> <p>Caterpillar Inc.</p> <p>Costco Wholesale Corporation</p> <p>CVS Caremark Corporation</p> <p>Devon Energy Corporation</p> <p>Ford Motor Company</p> <p>Google Inc.</p> <p>Halliburton</p> <p>Lowe's Companies, Inc.</p> <p>MasterCard Incorporated</p> <p>MetLife, Inc.</p> <p>Morgan Stanley</p> <p>National Oilwell Varco, Inc.*</p> <p>News Corporation</p> <p>NIKE, Inc.</p> <p>Norfolk Southern Corporation</p> <p>NYSE Euronext</p> <p>Occidental Petroleum Corporation</p> <p>Qualcomm Incorporated</p> <p>Raytheon Company</p> <p>Schlumberger Limited*</p> <p>Sprint Nextel Corporation</p> <p>Walgreen Co.</p> <p>Wal-Mart Stores, Inc.</p> <p>The Walt Disney Company</p>



- Industry matters
- 22% of the S&P 100 disclose little or nothing about their corporate political activities
- On average the companies that contribute the most disclose less than others



Transparent Corporations

The Baruch Index reports companies' degree of disclosure about their corporate political contributions that can be found on their websites, the communication medium available to most stakeholders.

Colgate-Palmolive Company, Goldman Sachs Group, Inc., International Business Machines Corporation, Pfizer Inc, Sara Lee Corporation, U. S. Bancorp, and Xerox Corporation earned the highest transparency ratings with a Baruch Index exceeding 80.

Colgate-Palmolive made \$0 corporate contributions at the federal and state levels and provided clear description of its policies on its website. In contrast, Pfizer contributed \$4.5 M at the federal and state levels during 2010 with a high level of disclosure.

Transparent / Top Tier	above 80
Strong	61 – 80
Moderate	41 – 60
Weak	21 – 40
Opaque / Lowest Tier	0 – 20

Corporate political contribution data from the Center for Responsive Politics and the National Institute on Money in State Politics. Data reported is required by state and federal law.



Dimensions

- Prominence:** the ease with which information regarding corporate political activity can be found on the company's website (4 items).
- Policies, Procedures, Structure:** the governance issues (e.g., line authority, monitoring, decision-making authority, funding channels, etc.) regarding company participation in political activity (25 items).
- Disclosure:** corporate statements regarding funds distributed to campaigns and political causes, whether made directly or indirectly, as well as statements about company adherence to corporate policies and practices (28 items).

Corporate Leaders: Dimensions of Corporate Political Disclosure

Disclosure of Corporate Policies, Procedures, and Structures	Disclosure of Amounts and Recipients
Altria Group, Inc.	Colgate-Palmolive Company
Colgate-Palmolive Company	Goldman Sachs Group, Inc.
International Business Machines Corporation	International Business Machines Corporation
Pfizer Inc.	McDonald's Corporation
Sara Lee Corporation	Philip Morris International Inc.
U. S. Bancorp	Sara Lee Corporation
The Williams Companies, Inc.	U. S. Bancorp
Xerox Corporation	Xerox Corporation



Hard to Find

Companies where political activity information is HIDDEN (or difficult to find) on their websites

The Allstate Corporation	Caterpillar Inc.	Google Inc.	Norfolk Southern Corporation	Schlumberger Limited
Amazon.com, Inc.	Costco Wholesale Corporation	MasterCard Incorporated	NYSE Euronext	Sprint Nextel Corporation
Baker Hughes Incorporated	CVS Caremark Corporation	MetLife, Inc.	Occidental Petroleum Corporation	Walgreen Co.
Bank of America Corporation	Devon Energy Corporation	National Oilwell Varco, Inc.	Qualcomm Incorporated	Wal-Mart Stores, Inc.
Berkshire Hathaway Inc.	Freeport-McMoRan Copper & Gold Inc.	News Corporation	Sara Lee Corporation	The Walt Disney Company

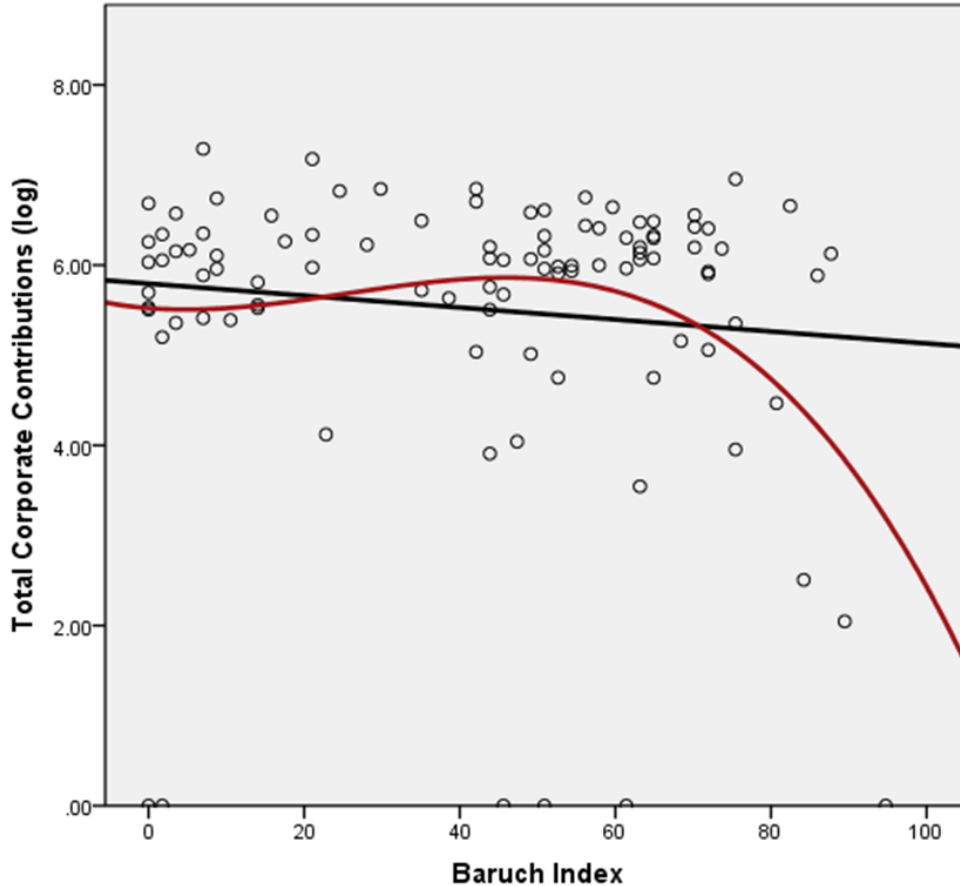


Easy to Find

Companies where political activity information is **PROMINENT** (easy to find) on their websites

Alcoa Inc.	Campbell Soup Co.	Exelon Corporation	Johnson & Johnson	PepsiCo., Inc.	Time Warner Inc.
Altria Group Inc.	Chevron Corporation	Exxon Mobil Corporation	Lockheed Martin	Pfizer Inc.	United Technologies Corporation
Amgen Inc.	Citigroup Inc.	H.J. Heinz Company	Merck & Co., Inc.	Philip Morris International	U.S. Bancorp
Avon Products, Inc.	Dow Chemical	Hewlett-Packard Co.	Microsoft Corporation	Procter & Gamble	Weyerhaeuser Company
The Boeing Company	Entergy Corporation	The Home Depot, Inc.	Monsanto Company	Target Corporation	The Williams Companies, Inc.

Linking Transparency and Corporate Political Giving



The Relationship Between Corporate Political Disclosure and Corporate Political Spending Is Complex

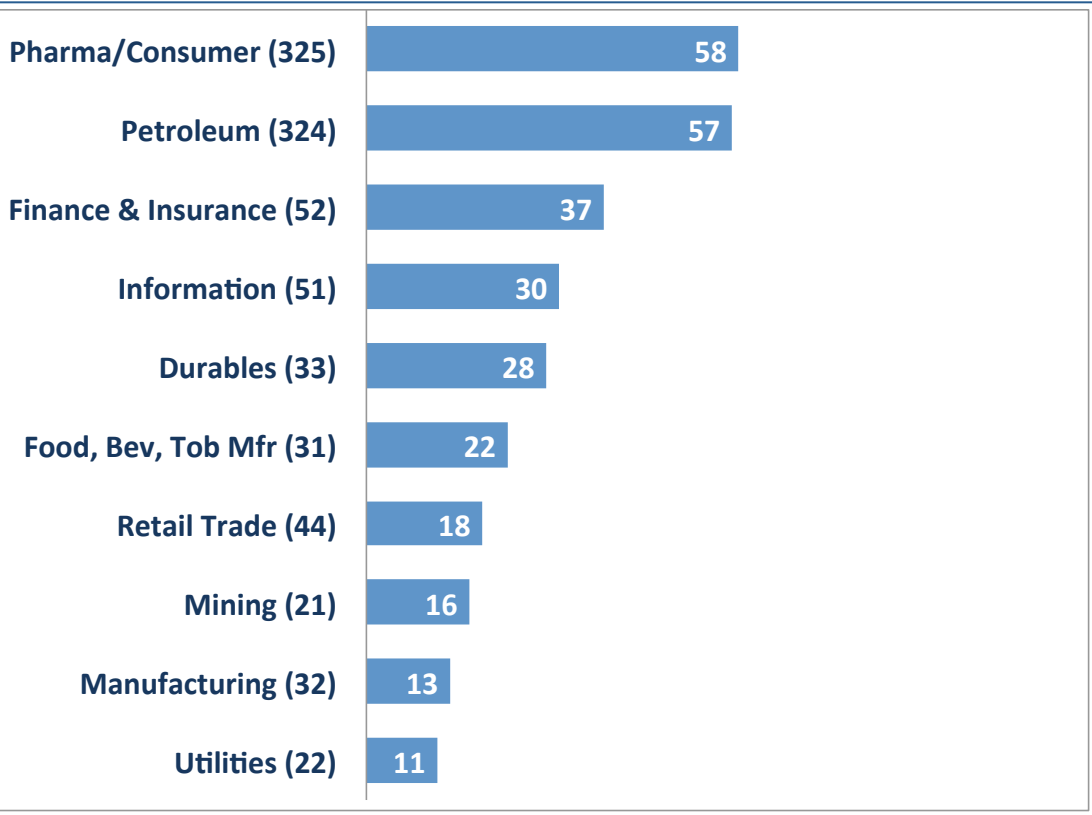
As companies increase their political giving, their disclosure increases to a peak. Companies with higher levels of contributions disclose less on average than those with low levels.

There also are companies with low levels of contributions who are opaque.

This trend suggests that companies with low levels of contributions may lack reporting mechanisms because the issue is not salient

Industry Transparency

INDUSTRY (NAICS CODE) / BARUCH INDEX



Means reported are for industries with 3 or more members represented.

Transparent/Top Tier: above 80
Strong: 61 – 80
Moderate: 41 – 60
Weak: 21 – 40
Opaque/Lowest Tier: 0 – 20

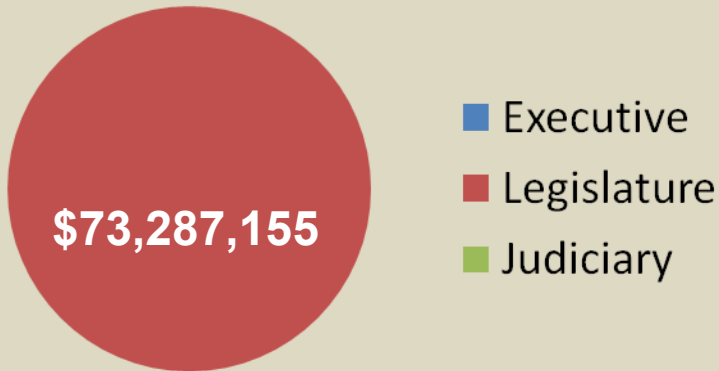
Pharmaceutical and Consumer Products Lead BI Ratings

Sector results provide a hint of the institutional context within which firms compete. Some firms operate in industries with norms of greater transparency.

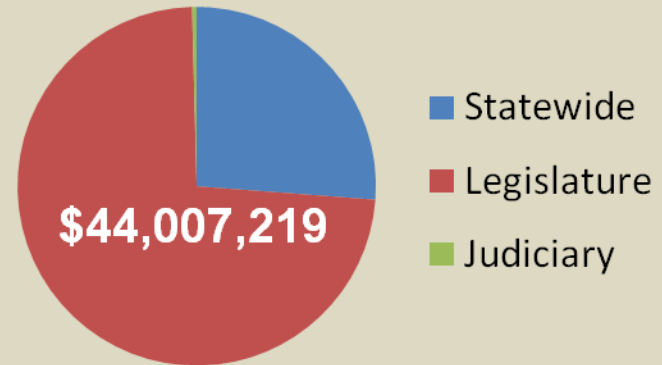
Utilities, durables manufacturing (non 324 and 325), and mining anchor the bottom of the transparency ratings.

2011 Federal- & State-Mandated Disclosure for the S&P 100

FEDERAL CONTRIBUTIONS



STATE CONTRIBUTIONS



OTHER CONTRIBUTIONS



Federal & state laws require recipients to disclose contributions. Most contributions cannot be linked directly between candidate/cause and corporation. International contributions do NOT have mandated disclosure.



Criteria and Corporate Profiles

Measured S&P 100 Companies

In this first Baruch Index, we investigated the companies listed in the S&P 100 at close of business on December 31, 2010.

CRITERIA	MEAN	STANDARD DEVIATION
Baruch Index Avg. Score	42	27
Market Capitalization	\$72,301.82M	\$64,491.02M
Total Assets	\$174,624.72M	\$394,070.27M
ROA	.06	.06
Age of Company	94	50



Methods

Transparency Criteria: We began building a set of transparency criteria using the *Handbook on Corporate Political Activity: Emerging Governance Issues*, from The Conference Board. We expanded that list of items with other items (e.g., the *Ease of Access* items) based upon our literature review. We then asked academic and practitioner experts to evaluate the items. After some testing with Executive MBA students, we refined the list to 57 items, in three categories.

Data Source: We used company websites as source material, as we were looking specifically for what the company voluntarily disclosed about its corporate political activity. We researched the websites using key search terms, such as *politics*, *political*, *campaign contributions*, *PACs*, and so on. These searches were conducted using Google, as well as the search engine on the company's website.

Content Analysis: Each company's website was analyzed by two coders. We used standard content analysis techniques and analyses to confirm inter-rater reliability.

Research Team: We selected three experienced MBA students, familiar with finance and corporate websites. These researchers were closely supervised by a PhD student in the Department of Management at Baruch College.

Research Timeline: All searches were done during January 2011 to standardize, as best possible, the materials found on the corporate websites. Data analysis began once the research team had completed its work, and was finished by April 2011.



BI Items: Prominence

- The company has a dedicated section (webpage, .pdf file, etc.) on its website for corporate campaign finance policies and procedures.
- The company has a dedicated section (webpage, .pdf file, etc.) on its website for corporate political expenditures.
- A central page for corporate campaign finance information can be found within two links from the main corporate website.
- The company has a dedicated political disclosure webpage that is accessible through the use of general and site-specific search terms such as "political contributions" or "political payments" in its search function.



BI Items: Policies, Procedures, and Structures

The company ...

- has a publicly available policy statement governing its political expenditures.
- has a policy that all of its political expenditures will promote the interests of the company without regard for the private political preferences of its officers and executives.
- states that no political expenditure will be made in anticipation of an official act.
- states that no political expenditure will be made in return for an official act.
- includes political expenditures in its overall code of conduct.
- has a separate code of conduct for political expenditures.
- requires approval of political spending by the general counsel or legal department.
- has a policy that identifies the types of organizations and/or candidates the company will support using company resources.
- has a policy of making all of its political expenditures from a segregated fund (PAC) consisting exclusively of voluntary contributions from employees and shareholders.
- states that its preferred policy is to make its political expenditures directly rather than through outside organizations.
- states that employees will not be reimbursed or compensated for personal political expenditures.
- states that it will not pressure or coerce employees to make personal political expenditures.



Policies, Procedures, & Structures

continued

The company ...

- states that it will not take any retaliatory action against employees who do not make personal political expenditures.
- publishes its procedures for reviewing and evaluating disbursements made with corporate funds for political purposes.
- publishes its procedures for reviewing internal and external requests for political use of corporate funds.
- requires social welfare associations [501(c)(4)s] to report how the company's contributions or payments of any sort are used.
- requires trade associations [501(c)(6)s] to report how the company's contributions or payments of any sort are used.
- has a policy that requires senior managers to oversee and have final authority over all of the company's political expenditures.
- has a policy that a specified board committee, whose report is approved by the board as a whole and made public, will review its policy on political expenditures and approve all political expenditures.
- identifies positions of board members who review and/or approve its political expenditures.
- identifies positions of corporate officers who review and/or approve its political expenditures.
- discloses the positions and names of managers and board members who oversee and/or have final authority over the company's spending decisions.
- has a broadly representative board committee review the company's payments to trade associations or other tax-exempt organizations that may be used to support or oppose candidates.
- has outside auditors or independent experts provide periodic oversight of company political expenditures.
- board of directors or a committee of the board receives regular reports from corporate officers responsible for corporate political expenditures.



BI Items: Disclosure

The company ...

- discloses the names of candidates supported through expenditures of company funds or in-kind donations.
- discloses the amount of company funds or in-kind donations used to support political candidates.
- discloses the names of political parties supported by expenditures of company funds or in-kind donations.
- discloses the amount of company funds or in-kind donations given to political parties.
- discloses expenditures, other than direct contributions, in support of or in opposition to a candidate and the name of each candidate.
- discloses expenditures, other than direct contributions, in support of or in opposition to a candidate and the amount expended for each candidate supported or opposed.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political party and the name of each political party.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political party and the amount expended for each political party supported or opposed.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political cause and the name of each political cause.
- discloses expenditures, other than direct contributions, in support of or in opposition to a political cause and the amount expended for each political cause supported or opposed.
- discloses political expenditures made by its political action committee.
- discloses direct political expenditures of corporate funds to ballot measure committees.



Disclosure *continued*

The company ...

- discloses direct political expenditures of corporate funds to political committees.
- discloses direct political expenditures of corporate funds that are used for political purposes.
- identifies the candidates supported or opposed by outside organizations to which it has given money.
- discloses all disbursements of corporate funds used to make independent expenditures directly.
- discloses all disbursements of corporate funds used to make independent expenditures through other groups.
- discloses expenditures through other organizations on grassroots lobbying communications.
- discloses direct expenditures on grassroots lobbying communications.
- reports annually on its website on its adherence to its code for corporate political spending.
- states the business purpose for each political expenditure.
- discloses all disbursements of corporate funds to federal candidates.
- discloses all disbursements of corporate funds to state candidates.
- discloses all disbursements of corporate funds to local candidates.
- discloses all disbursements of corporate funds to legislative office candidates.
- discloses all disbursements of corporate funds to judicial office candidates.
- discloses all disbursements of corporate funds to executive office candidates.
- discloses all disbursements of corporate funds to foreign candidates/parties.



Companies in the 2011 Study

The following companies comprised the S&P 100 as of January 1, 2011

3M Company	Capital One Financial Corp.	Ford Motor Company	McDonald's Corporation	Regions Financial Corporation
Abbott Laboratories	Caterpillar Inc.	Freeport-McMoRan Copper & Gold Inc.	Medtronic, Inc.	Sara Lee Corporation
Alcoa Inc.	Chevron Corporation	General Dynamics Corporation	Merck & Co., Inc.	Schlumberger Limited
The Allstate Corporation	Cisco Systems, Inc.	General Electric Company	MetLife, Inc.	Southern Company
Altria Group, Inc.	Citigroup Inc.	Gilead Sciences, Inc.	Microsoft Corporation	Sprint Nextel Corporation
Amazon.com, Inc.	The Coca-Cola Company	Goldman Sachs Group, Inc.	Monsanto Company	Target Corporation
American Electric Power Company, Inc.	Colgate-Palmolive Company	Google Inc.	Morgan Stanley	Texas Instruments Incorporated
American Express Company	Comcast Corporation	Halliburton	National Oilwell Varco, Inc.	Time Warner Inc.
Amgen Inc.	ConocoPhillips Company	H.J. Heinz Company	News Corporation	U. S. Bancorp
Apple Inc.	Costco Wholesale Corporation	Hewlett-Packard Company	NIKE, Inc.	United Parcel Service, Inc.
AT&T Inc.	CVS Caremark Corporation	The Home Depot, Inc.	Norfolk Southern Corporation	United Technologies Corporation
Avon Products, Inc.	Dell Inc.	Honeywell International Inc.	NYSE Euronext	UnitedHealth Group, Inc.
Baker Hughes Incorporated	Devon Energy Corporation	Intel Corporation	Occidental Petroleum Corporation	Verizon Communications Inc.
Bank of America Corporation	The Dow Chemical Company	International Business Machines Corporation	Oracle Corporation	Walgreen Co.
The Bank of New York Mellon Corporation	E. I. du Pont de Nemours and Company	Johnson & Johnson	PepsiCo, Inc.	Wal-Mart Stores, Inc.
Baxter International Inc.	EMC Corporation	JPMorgan Chase & Co.	Pfizer Inc	The Walt Disney Company
Berkshire Hathaway Inc.	Entergy Corporation	Kraft Foods Inc.	Philip Morris International Inc.	Wells Fargo & Company
The Boeing Company	Exelon Corporation	Lockheed Martin Corporation	The Procter & Gamble Company	Weyerhaeuser Company
Bristol-Myers Squibb	Exxon Mobil Corporation	Lowe's Companies, Inc.	Qualcomm Incorporated	The Williams Companies, Inc.
Campbell Soup Company	FedEx Corporation	MasterCard Incorporated	Raytheon Company	Xerox Corporation



About Us

- **The Robert Zicklin Center for Corporate Integrity** is a forum for discussion of a broad range of contemporary issues confronting U.S. corporations and capital markets. Our concerns include: transparency of corporate reporting, corporate governance, examining legal and ethical corporate behavior, spotlighting executive accountability, corporate responsibility in global business development, risk assessment and amelioration, resolving conflicting corporate stakeholder interests, and evaluating the role of governmental regulation.
- **Donald H. Schepers** (PhD, The University of Arizona) is Professor of Management at Baruch College, City University of New York, and Director of the Robert Zicklin Center for Corporate Integrity. Dr. Schepers teaches Social and Governmental Environment of Business, Corporate Governance, and Business Ethics to MBA and Executive MBA programs. Dr. Schepers also teaches Strategic Planning and Control in the Baruch/Mt. Sinai Healthcare Administration MBA program. His present research interests include corporate political campaign contributions, corporate governance and codes of conduct, socially responsible investing, and the impact of non-governmental organizations on business policy. He has also authored articles on organizational justice and ethical decision making. His articles have appeared in *Organizational Behavior and Human Decision Processes*, *Human Resource Management*, *Journal of Business Ethics*, *Business and Society*, and *Business and Society Review*. He has also authored book chapters and business case studies.
- **Naomi A. Gardberg** (PhD, NYU) is an Associate Professor of Management at Baruch College, City University of New York. Dr. Gardberg teaches the capstone (strategy) course for the undergraduate, graduate, and Baruch/Mt. Sinai Healthcare Administration MBA programs as well as an undergraduate international management course and a doctoral seminar in cross-cultural research methods. Her current research examines non-market strategies such as political contributions; the creation, transfer, and dissipation of intangible assets, such as corporate reputation; and the effects of marginalization on stakeholder behavior. She has published her research in several journals, including *Academy of Management Review*, *Business & Society*, *Corporate Reputation Review*, and the *Journal of International Business Studies*, as well as in book chapters.



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Acknowledgements

- *This work was supported in part by a grant from The City University of New York PSC-CUNY Research Award Program. No corporate monies have been solicited or accepted in producing this research.*
- Federal corporate finance data provided by the Center for Responsive Politics' www.opensecrets.org
- State corporate finance data provided by the National Institute on Money in State Politics' www.followthemoney.org
- We acknowledge the diligent work of Louis Lipani and Vinny Wong.
- We thank Mr. Lawrence Zicklin for his support of the Baruch Index.