

Examining the CPA-Zicklin Scoring Index for Corporate Political Spending Reports

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The coming election coincides with increased efforts by the Center for Political Accountability (CPA), through letters and shareholder proposal campaigns, to cause companies to provide reports on corporate political spending. Companies targeted by CPA that are considering either providing initial reports or seeking ways to bolster their existing reports, should be aware of the [2012 CPA-Zicklin Index](#). The Index ranks and scores the top 200 companies in the S&P 500. The top-scoring companies include Merck and Microsoft.

How do you become a high-scoring company under the Index? Company reports are graded based on 25 different criteria. While the key remains giving detailed information about direct corporate contributions and other payments, much of the focus is also on senior-level involvement and authority:

Disclosure of Contributions. Companies receive points for disclosing the (a) names and amounts of corporate contributions to candidates, parties and 527 organizations; (b) independent political expenditures; (c) payments to, and payments by, trade associations or tax-exempt organizations that may be used for political purposes; and (d) payments to influence ballot measures.

General Corporate Policy. Having a publicly available policy about corporate political contributions and expenditures alone will net a company 6 points, but that is basically a bare minimum given the maximum score is 72. Companies can increase their scores for having policies that: (a) state that the contributions are made without regard for executives' private preferences; (b) describe the types of organizations and/or candidates considered to be proper recipients; (c) explain the specific criteria for making or approving these payments; and (d) provide archives of prior reports that include information on trade associations and tax-exempt groups. The report is expected to be posted on the company's website with an affirmation of annual adherence to its code. Better yet is a dedicated webpage with a statement of periodic review by outside experts.

Executive Authority. The Index examines the involvement of executives, including scoring based on disclosure of (a) managers, by title or names, with final authority over political spending decisions and (b) requiring senior managers to oversee and have final authority over political spending.

Board Authority. Regular board oversight is clearly considered central to these reports. Additional scores are also given for having a specified board committee that is committed to reviewing the company's policy, contributions, payments to trade associations and tax-exempt organizations and approving all political spending, as well as a committee of outside directors, along with the board, with oversight responsibilities.

It is unclear what score cut-off is deemed sufficient by the CPA. 120 companies scored below the halfway mark, with 59 companies given a score of 10 points or lower as many companies still do not provide a report at all or only make a general policy statement. But companies are increasingly responding with more disclosure, as the Index reports improved scores by 85% of companies from their last survey in 2011. As this area evolves and companies expand their publicly available information, there is some concern that the expectations continue to ratchet up and the goalposts are a moving target.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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