

A Letter to Support Legislation to Increase Corporate Accountability Surrounding the
Environment, Political Action, Taxation, and Leadership Diversity

Date: February 26th, 2022

From: Alaina Neuburger & Hava Sprung 1050 N Mills Ave Claremont, CA 91711

Senator Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Feinstein,

We write to urge you to vote yes on the Corporate Governance Improvement and Investor Protection Act (H.R. 1187). H.R. 1187 would regulate large corporations, preventing political manipulation and tax dodging while promoting environmentally sustainable investments and diversity in leadership positions. This bill, introduced by California representative Juan Vargas in February 2021, has already passed the house and faces the senate soon. Supporting this bill represents a vote against climate change and corporate domination and for environmental sustainability and fairer fiscal policy. If passed, H.R. 1187 would help uplift our community, California's Inland Empire, and Americans around the country.

Undisclosed actions taken by increasingly powerful large corporations threaten our environment, our political system, equity in business management, and the fairness of our fiscal policy. We face a climate crisis engendered by the actions of giant companies—researchers have found that only 100 large companies have been responsible for 71% of industrial emissions.¹ The current lack of accountability on climate action is part of the reason large corporations circumvent more sustainable behavior: in 2021, nearly 70% of companies failed to disclose their environmental impact, despite many empty pledges to increase sustainability.²

Publicly traded companies threaten the integrity of our democracy by spending billions of undisclosed dollars lobbying for their interests. In the 2018 election cycle, private companies spent over 7.5 billion on lobbying.³ Many of these companies, members of the fossil fuel industry, advocate for more negligent environmental regulations. These actions endanger

¹ "Carbon Majors," Climate Accountability Institute (Climate Accountability Institute, 2020), <https://climateaccountability.org/carbonmajors.html>.

² Felicia Jackson, "With 17,000 Companies Worth \$21 Trillion Failing to Report Environmental Impact, It's Time to Connect Commitment to Action," *Forbes* (Forbes Magazine, December 20, 2021), <https://www.forbes.com/sites/feliciajackson/2021/12/16/with-17000-companies-worth-21-trillion-failing-to-report-environmental-impact-its-time-to-connect-commitment-to-action/?sh=6a29c73753fc>.

³ Richard A Devine, Michael Holmes, and Jim Moran, "Money Talks: Big Business, Political Strategy and Corporate Involvement in US State Politics," *The Conversation* (The Conversation US, August 18, 2021),

progressive movements as companies are more likely to spend money on political manipulation when environmental protection groups or social movements such as Black Lives Matter fight to increase their accountability.⁴

Historically, large corporations evade income taxes and are not required to disclose specifics about contributions to state and local governments. 55 of the largest corporations in the country paid \$0 in income taxes in the 2021 fiscal year despite garnering significant profits, avoiding at least \$8.5 billion in taxes.⁵ David Zion, head of tax research firm Zion Research Group, explains, “This is an area that most companies would prefer to keep lurking in the shadows, especially those that are not paying their fair share of taxes.” Mandating more specific disclosure for large corporations’ taxes would force them out of the shadows, decreasing their ability to unjustly evade these payments.

Large corporations discriminate against women and people of color and lack adequate diversity. Progressive movements have illuminated gender and racial bias and the lack of representation that lurks behind our country’s major companies. Since 2000, 99% of Fortune 500 companies have paid settlements in discrimination or sexual harassment lawsuits.⁶ American women still earn \$0.82 for every dollar made by a man, with women of color earning even less.⁷ In 2021, only 6.9% of CEOs and 15.1% of CFOs were female. Only about 11% of CFO positions were held by people of color.⁸

The Corporate Governance Improvement and Investor Protection Act can mitigate these four issues and more by requiring publicly traded companies to publicly disclose environmental performance metrics, political spending details, leadership compensation and demographic composition, workforce harassment incidents, and tax, income, and asset information⁹ Overall, the bill establishes accountability for large companies that mitigates their negative impacts on the environment, our political system, business leadership, and tax evasion.

⁴ Daniel Nyberg, “Corporations, Politics, and Democracy: Corporate Political Activities as Political Corruption,” *Organization Theory* 2, no. 1 (January 18, 2021), <https://doi.org/10.1177/2631787720982618>.

⁵ Matthew Gardner and Steve Wamhoff, “55 Corporations Paid \$0 in Federal Taxes on 2020 Profits,” Institute on Taxation and Economic Policy (ITEP, April 2, 2021), <https://itep.org/55-profitable-corporations-zero-corporate-tax/>.

⁶ Tyler Sonnemaker, “2020 Brought a Wave of Discrimination and Harassment Allegations against Major Companies like Amazon, McDonald's, and Pinterest. These Are Some of the Year's High-Profile Legal Battles.” *Business Insider* (Business Insider, December 31, 2020), <https://www.businessinsider.com/every-company-that-was-sued-discrimination-and-harassment-lawsuits-2020-2021-1>.

⁷ Ibid.

⁸ Daniel Kurt, “Corporate Leadership by Race,” Investopedia (Investopedia, February 28, 2022), <https://www.investopedia.com/corporate-leadership-by-race-5114494>.

⁹ “H.R.1187 - Corporate Governance Improvement and Investor Protection Act,” Congress.gov (Library of Congress, United States Copyright Office), accessed March 3, 2022, <https://www.congress.gov/bill/117th-congress/house-bill/1187?r=21&s=1>.

Supporting a bill that mandates public disclosure of this sensitive information is the best way to temper the negative effects of large companies. Little accountability exists to ensure that large corporations practice the values they advocate for, despite frequent public statements. We have already discussed the huge percentage of companies that refuse to disclose sensitive data. The real-world impact of this lack of disclosure is that companies have no incentive or liability to act on these goals. H.R.1187 counteracts this issue by forcing companies to be transparent.

There is significant evidence that disclosure works to incentivize companies to act more ethically. In 2021, 509 companies that disclosed environmental information improved their scores from a C or below to a B according to the CDP's metrics.¹⁰ One of the companies leading on environmental transparency, International Business Machines Corporation (IBM), runs half of its data centers and 40% of its electricity use from renewable energy.¹¹ In contrast, companies with the greatest environmental impacts are often the most hesitant to share relevant data publicly. This information suggests that disclosure is an effective tool at increasing accountability and thus, ethical actions from large corporations.

Supporting H.R.1187 helps our community, Californians, and all Americans by mitigating climate change, increasing political transparency, increasing tax revenue, promoting equity, helping the economy, and setting a precedent for corporate accountability. The harms of climate change, perpetuated by large companies, increasingly affect our communities. In February 2021, a coalition of community-led organizations in the Inland Empire fought against an initiative to destroy farmland in Ontario, California to make way for polluting warehouses. In their letter of opposition to rezoning to the Ontario City Council, the coalition states that rezoning is "designed to pave the way toward industrialization rather than agroecological stewardship of the remaining agricultural land in Ontario."¹² Companies' environmental impacts harm our community. H.R.1187 could mitigate situations like these and corporations' effects on the environment.

Voters deserve to know who their elected officials are accountable to, according to Adelanto City Councilwoman and mayoral candidate Steevonna Evans. Councilwoman Evans explained to us that corporate political influence keeps representatives that are most connected to their voters and least connected to corporate interests out of the running, compromising the integrity

¹⁰ Felicia Jackson, "With 17,000 Companies Worth \$21 Trillion Failing to Report Environmental Impact, It's Time to Connect Commitment to Action," *Forbes* (Forbes Magazine, December 20, 2021), <https://www.forbes.com/sites/feliciajackson/2021/12/16/with-17000-companies-worth-21-trillion-failing-to-report-environmental-impact-its-time-to-connect-commitment-to-action/?sh=6a29c73753fc>.

¹¹ Laura Thornton and Emily Bonta, "These 10 Companies Are Leading on Environmental Impact," JUST Capital (JUST Capital and JUST Capital Foundation, April 22, 2021), <https://justcapital.com/news/these-10-companies-are-leading-on-environmental-impact-heres-why/>.

¹² Bekendam, Randy, Susan A Phillips, and Howard Penn. "No More Warehouses/Save Our Farmland Opposition Letter." Google Docs. Google. Accessed March 7, 2022. https://docs.google.com/document/d/1seU4_673BXYgcGv6x6Gts5-VPIuNZUj-Xa1mGC-y7vA/edit.

of our political system from the local to federal levels. Undisclosed corporate donations put pro-worker, anti-corporate politicians at a severe disadvantage when campaigning and prevent accountability to voters, signifying that you must take action against corporate political influence by supporting H.R.1187.

Holding companies accountable to diversity in leadership uplifts marginalized communities and boosts companies' performances. The current lack of race and gender representation in public companies' leadership hurts women and people of color and also prevents the maximization of innovation, productivity, and positive company culture.¹³ Supporting this bill uplifts marginalized communities and increases economic equity.

This bill would also have positive economic impacts. Studies suggest that the profits of companies leading in sustainability are increasingly surpassing their less sustainable counterparts.¹⁴ Disclosure allows companies to improve their reputations and increase their competitive advantages. For example, the Stoxx Global Climate Change Leaders index has seen a 5.8% higher return rate than comparable non environmentally-focused index funds in the last eight years.¹⁵ Promoting environmentally sustainable practices through H.R.1187 would have positive environmental and economic benefits.¹⁶

Senator Feinstein, we urge you to support the Corporate Governance Improvement and Investor Protection Act to regulate the negative impacts of large corporations, preventing political manipulation and tax dodging while promoting environmentally sustainable investments and diversity in leadership positions. We are confident that supporting this bill is an important step in acting on your stated goals of fighting for climate change, better jobs, comprehensive tax reform, and racial and gender equity. Please, support H.R.1187 to increase corporate accountability and set a precedent for more ethical corporate action in the future. We thank you for your time.

Sincerely,

¹³ "Barriers and Benefits of Diversity in the Workplace," Western Governors University (Western Governors University, September 23, 2021), <https://www.wgu.edu/blog/barriers-benefits-diversity-workplace1906.html>.

¹⁴ Felicia Jackson, "With 17,000 Companies Worth \$21 Trillion Failing to Report Environmental Impact, It's Time to Connect Commitment to Action," Forbes (Forbes Magazine, December 20, 2021), <https://www.forbes.com/sites/feliciajackson/2021/12/16/with-17000-companies-worth-21-trillion-failing-to-report-environmental-impact-its-time-to-connect-commitment-to-action/?sh=6a29c73753fc>.

¹⁵ Felicia Jackson, "With 17,000 Companies Worth \$21 Trillion Failing to Report Environmental Impact, It's Time to Connect Commitment to Action," Forbes (Forbes Magazine, December 20, 2021), <https://www.forbes.com/sites/feliciajackson/2021/12/16/with-17000-companies-worth-21-trillion-failing-to-report-environmental-impact-its-time-to-connect-commitment-to-action/?sh=6a29c73753fc>.

¹⁶ Laura Thornton and Emily Bonta, "These 10 Companies Are Leading on Environmental Impact," JUST Capital (JUST Capital and JUST Capital Foundation, April 22, 2021), <https://justcapital.com/news/these-10-companies-are-leading-on-environmental-impact-heres-why/>.

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