



## ***Spotlight on CPA - April 2016***

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### **When Corporate Political Cash Reaps Unintended Consequences**

**Founder's Column**  
**By Bruce Freed**

It's hard to think of a blunter reminder of the risks of corporate political spending than this headline appearing just two days ago in the [Huffington Post](#):

**"Corporations Opposed To North Carolina's Anti-LGBT Law Helped Elect Its Supporters: Corporate contributions helped elect the state's Republican legislative majority."**

Not only did at least 45 companies denouncing North Carolina's enactment of a transgender bathroom law contribute to a political committee that helped elect the Republican majority in the legislature, but "[d]ozens more corporations contributed indirectly to these electoral efforts through their contributions to trade associations" that in turn gave to the political committee, Huffington Post said.

"Companies make a great deal today about corporate citizenship, about being good citizens, about following their values and the thing is, they don't in their spending," I told the Huffington Post.

North Carolina is not the only state offering a cautionary tale this election year. Business and trade groups have criticized Mississippi's HB 1523, a "religious freedom law" condemned by foes as a state sanction for discrimination against LGBT people. In Mississippi, "many of the companies objecting to the law had a hand in helping elect its sponsors and the governor who signed it," according to the [Institute for Southern Studies](#).

It creates a contradiction when companies get publicity over having helped to elect those lawmakers who pass bills the companies oppose.

The problem is, in the world of corporate political spending, unintended consequences happen. Yet these blowups can be avoided. These recent news articles underscore the importance of companies tracking their political spending made either directly or through third-party groups, and ensuring that it's in line with company values and policies.

But you don't have to take it from me.

Lawyer George J. Terwilliger III, a former U.S. Deputy Attorney General and former Acting U.S. Attorney General, said the following in a recent National Law Journal article:

"The intersection of business and politics is a legal minefield. The risks to businesses are only magnified as both corporate political activity and enforcement scrutiny gain steam in the intensifying U.S. political season."

Terwilliger was talking about lawyers advising clients on election-law matters. His assertions equally apply to corporate political activity overall. He wrote, "To avoid thorny election-law problems, businesses must adopt clear policies and controls on corporate political activity." Following his admonition could have helped companies avoid the problems unfolding in North Carolina and Mississippi.

(For more detail on political spending and unintended consequences, [click here](#) for CPA's report on corporate contributions to a political committee that underwrites state legislative elections.)

## US News Op-ed: Corporations Are Biggest Source of Political Money

Founder's Column

By Bruce Freed

In a hard-fought election year, with a flood of dizzying and sometimes conflicting news reports about the role of campaign cash, what's a bewildered reader to believe? CPA sought to answer that question in a hard-hitting op-ed published April 6 by [US News & World Report](#). It was headlined, "Do Political Business in the Daylight: Corporations are distorting our democracy and the 2016 election with their dark money."

CPA President Freed and Associate Director Marian Currinder argued in the op-ed that the big story of this election is getting scant attention:

"Casino magnate Sheldon Adelson, billionaire investor George Soros and hedge fund manager Robert Mercer have grabbed headlines so far this election with seven- and eight-figure donations to political super PACs. Yet this media attention obscures perhaps the most-overlooked story of the 2016 elections: the corporate dominance of political spending across all levels of government.

"With their bankrolls unfettered by Citizens United, we calculate that corporations are responsible for the greatest spending in the political arena, with direct and indirect contributions running into the hundreds of millions of dollars. Their powerful force in shaping Washington policymaking is already well-known. Their massive engagement at state and local levels is not."

Freed and Currinder cited available data in support of their point and emphasized that these numbers don't take into account "dark money" that's funneled through politically active nonprofit organizations. The authors then alluded to scholarly research to say policy outcomes are at stake at a time of new politics playing out across America:

"We believe this risk of distorting our democracy exists at every level and is heightened when a river of corporate political spending goes underground. Moreover, companies choosing to outsource their political spending face new risks as well, because they no longer control where it will end up.

"As one answer, we have worked hard to make voluntary political disclosure and accountability a standard measure of corporate governance. In recent years, more than 150 large publicly owned companies have chosen to allow sunlight on their political spending by adopting a model resolution for public disclosure and board oversight. By doing political business in the daylight, they are building a solid foundation for greater corporate and government accountability – and less focus on vanity spending by individual mega-donors every four years."

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### Center Begins Work on 2016 CPA-Zicklin Index, Writes to S&P 500 Companies

The Center for Political Accountability wrote to companies in the S&P 500 this month, announcing its launch of work on The 2016 CPA-Zicklin Index of Corporate Political Disclosure and Accountability, setting a timeline and inviting companies' questions.

Since 2011, CPA has partnered on the annual Index with the Zicklin Center for Business Ethics Research at The Wharton School of the University of Pennsylvania. The Index was expanded last year to include all companies in the S&P 500. It has become a valuable national resource for companies, investors, news media and the academic community.

A CPA letter to companies dated April 14 says that the same 24 indicators will be used as in 2015 to measure the strength of each company's political accountability. The Center will partner with the Sustainable Investments Institute (Si2), a non-profit organization, to collect the relevant data; Si2 will be involved only in the data collection phase of the Index.

"Data collection will begin in June and rely entirely on information that is publicly available on company websites," the CPA letter states. "Companies will *not* receive credit for policies or procedures that are not publicly available at the time of review. The Center will send preliminary scores and supporting data to companies for review on a rolling basis starting in late June and plans to release the Index findings in late September."

The Index will be released only weeks before Election Day in one of the most contentious, biggest-spending electoral cycles in history.

A number of law firms have taken note of the Index and have offered assistance to companies wishing to get high scores or improved scores.

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## THE WALL STREET JOURNAL.

### CPA IN THE NEWS: Wall Street Journal Highlights Proxy Season Push for Disclosure; Australian Version of Index

The Wall Street Journal, in its CFO Journal, expanded upon an earlier WSJ blog post (see [March newsletter](#)) about the proliferation of investors' resolutions this proxy season for disclosure of corporate political spending. The latest article prominently mentioned CPA.

"More than 100 resolutions on the subject have been, or could be, presented to the largest U.S. companies, according to ISS Voting Analytics," reported Mara Lemos Stein and Maxwell Murphy for the Journal. "That figure is based on proposals filed as of [April 4], plus a tally of proponents who say they plan to propose similar ones."

“Disclosure, board oversight and robust compliance are intertwined and an integral part of enterprise risk management of political spending,” said Bruce Freed, president and founder of the CPA, which advocates greater disclosure of such spending.”

The Journal said Scott Stringer, New York City’s comptroller, is pushing the disclosure issue at several companies. “We want to ensure that any corporate political spending advances the long-term interests of the company and its shareowners, not the personal political preferences of a particular executive with access to the corporate purse strings,” Stringer told the newspaper.

GLOBAL PROXY WATCH reported that CPA and its annual benchmarking index of corporate transparency and accountability are having an international impact.

The Australasian Center for Corporate Responsibility intends to adapt the index to apply to Australian firms, “starting with the twenty largest ASX companies plus some resources giants,” ACCR Executive Director Caroline Le Couteur told Global Proxy Watch. Her organization also intends to file shareowner resolutions seeking disclosure.

**A NEW REPORT** from the Investor Responsibility Research Center Institute and the Sustainable Investments Institute mentions the annual benchmarking index and applies it to a number of utility companies.

The report is titled, “The Top 25 U.S. Electric Utilities: Climate Change, Corporate Governance and Politics.” It says utilities are taking widely varied paths to meet climate change business challenges.

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## Conference Board Spotlights Director Oversight Article

The Conference Board [recently posted online](#) a guide to director oversight of corporate political spending spearheaded by CPA and published earlier by the Harvard Business Review (see [November](#) newsletter).

The article was written by CPA President Bruce Freed; Karl Sandstrom, Senior Counsel of Perkins and Coie; and Constance E. Bagley, a Senior Research Scholar in Law at Yale Law School.

With The Conference Board making available the director oversight guide, it reaches a broader audience in both the national and international business community.

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