



January 2015 Spotlight on CPA



Second Roundtable Unveils New Business School Course on Corporate Political Engagement



The Center for Political Accountability and three academic institutions will co-sponsor the Second Roundtable on Corporate Political Accountability in New York next month. Its topic will be: "The Importance of Educating Future Business Leaders Beyond *Citizens United*."

Educators, business leaders and other experts will participate in the event to be held at New York University's Stern School of Business. Joining CPA in co-sponsoring the Roundtable will be the Stern School; the Zicklin Center for Business Ethics Research, part of the Wharton School at the University of Pennsylvania; and the Zicklin School of Business at Baruch College.

The Roundtable will provide feedback on a new course on corporate political engagement and executive statesmanship, believed to be the first of its kind in a U.S. business school. It is being developed by Bruce Buchanan, a professor at the Stern School.

"We are excited," Buchanan said, "to host the second Roundtable dealing with the important topic of teaching corporate political engagement and accountability, and to offer what we believe is the first business school course teaching about the tools of corporate political engagement and the responsible use of those tools. We hope the course will become a model for other business schools. All of us need to help our students become executive statesmen (and women) as they lead corporations engaging in the political process."

On Feb. 19, the panels and participants include: "Corporate Political Accountability and Engagement – How Much Is Too Much?" moderated by Bruce Freed, CPA President, with John Milton Cooper, Jr., Professor Emeritus, University of Wisconsin-Madison, Sheila Krumholz, Executive Director, Center for Responsive Politics, Nien-he Hsieh, Professor, Harvard Business School, and Judy Samuelson, Executive Director, Aspen Institute Business and Society Program; and an Informal Discussion with Business School Deans, with Larry Zicklin, former Chair and CEO, Neuberger Berman, Thomas Pugel, Vice Dean for MBA Programs, New York University's Stern School of Business, Moses Pava, Dean, Syms School of Business Yeshiva University, and Don Schepers, Associate Dean, Baruch College Zicklin School of Business.

On Feb. 20, "Working Toward a Model of Executive Statesmanship in the Business School Curriculum," moderated by Bruce Buchanan, Professor, NYU Stern School of Business, with Constance E. Bagley, Senior Research Scholar, Yale Law School, David Rosenberg, Professor, Baruch College, Zicklin School of Business, Ann Buchholz, Professor, Rutgers Business School, and Daniel Isaacs, Professor, Fox School of Business, Temple

Washington Post Op-Ed: U.S. Companies Shine Sunlight on 'Dark Money'

The Washington Post

(The following op-ed by Bruce F. Freed, CPA president, and Charles E.M. Kolb, president of the Committee for Economic Development from 1997 to 2012 and deputy assistant for domestic policy to President George H.W. Bush from 1990 to 1992, appeared in *The Washington Post* on Dec. 29, 2014.)

In the nearly five years since the Supreme Court's controversial *Citizens United* ruling, a significant movement in U.S. corporate governance has gained traction without attracting much notice: An expanding cross-section of U.S. businesses are acting independently to create a culture of transparency and accountability in regard to their influence on our political system.

The Op-Ed is continued at the bottom of the page.

Roll Call Highlights CPA Successes

Roll Call

The Supreme Court's *Citizens United* decision five years ago has generated a conservative backlash against disclosure. In addition it has spawned a conservative drive "to discredit political transparency, forestall new reporting restrictions and challenge disclosure regulations in court," analyst Eliza Newlin Carney says in a [Roll Call](#) column that prominently mentions the Center for Political Accountability.

Her piece is headlined, "Anti-Disclosure Backlash Carries Risks for GOP." Among the risks she names is a threat to Main Street business interests. To make her point, Newlin Carney quotes GOP strategist Mark McKinnon:

"As conservatives, we believe in market forces," McKinnon said. "We believe in free markets. The problem is, the system we have today is no longer a free marketplace of ideas or policies. All the public policies in Washington today are dictated by money."

It is at this point that Newlin Carney reports CPA's successes in achieving corporate political disclosure and accountability:

"Similar concerns have prompted a long list of blue chip companies, from JP Morgan Chase to Exelon, Merck, Microsoft and Lockheed Martin, to voluntarily disclose their political expenditures via an annual [index](#) spearheaded in part by the Center for Political Accountability. The center's president, Bruce Freed, recently joined with Charles E.M. Kolb, former president of the Committee for Economic Development, to challenge allegations that the center is waging a 'war' on corporate political speech."

Post Op-Ed, Continued From Above

But those of us who urge greater disclosure of corporate money in politics were nonetheless accused at a recent U.S. Chamber of Commerce Foundation conference in Washington of making "war" on corporations and their free speech. That is simply not the case.

Advocates of undisclosed "dark money" spending, concerned that they are losing ground, are falsely representing themselves as the voice of mainstream business, hoping to sway companies away from their better instincts. Far from wanting to return to the pre-Watergate days, however, U.S. businesses increasingly are showing that they want to conduct political activity in the open, where shareholders, directors and managers all can assess the risks and benefits of a company's political spending.

The Supreme Court's endorsement of disclosure in *Citizens United* served to reinforce this movement. Recognizing the importance of transparency, [Justice Anthony Kennedy wrote in his majority opinion](#), "With the advent of the Internet, prompt disclosure of expenditures can provide shareholders and citizens with the information needed to hold

USA Today Column: Attacks Show U.S. Chamber, Allies Losing Secret Political Spending Fights

USA TODAY

The U.S. Chamber of Commerce and its lobbying allies are losing in their defense of secret political spending as more companies embrace transparency, a recent [USAToday.com](#) column by independent business writer Darrell Delamaide declared.

Mentioning attacks by the Chamber and others against the Center for Political Accountability, Delamaide not only asked what defenders of secret political money "are ... afraid of," he also said a new business ethic favored by many companies is passing by the old guard.

"[I]t is the shareholders' money, and the logic is fairly compelling that they should know how it is spent," Delamaide wrote. "The chamber's crusade, in fact, flies in the face of a surging tide to improve corporate governance and transparency."

He continued, "More and more companies are voluntarily disclosing political contributions as part of their overall efforts to implement ESG (environment, social, governance) frameworks that have become a best practice for companies worldwide."

The column quoted CPA's Bruce Freed and Board Member Charles Kolb as writing in a Washington Post op-ed (reprinted elsewhere in this newsletter) that more and more American businesses are demonstrating they want to conduct their political activity in the sunlight, "where stockholders, directors and managers all can assess the risks and benefits of a company's campaign spending."

Delamaide concluded, "The chamber and its allies in the stultified universe of Washington lobbying are fighting against an ethical tide as

they pursue a course that is not in the best interests of business and not even in the interest of these trade groups' viability and credibility.

"They are showing, in short, all the signs of a need for regime change, which hopefully won't be too long in coming."

Leading Law Firm Urges Companies to Treat CPA-Zicklin Index Seriously

COVINGTON

COVINGTON & BURLING LLP

The Center for Political Accountability's lead role in advocating for corporate political disclosure was spotlighted in a guide issued by

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University.

Also, "Business Views: Is There a Model for the Executive Statesman?" moderated by Karl Sandstrom, Perkins Coie, former member, Federal Election Commission, with Dan Bross, Senior Director for Corporate Citizenship, Microsoft, Margaret Foran, Chief Governance Officer, Vice President & Corporate Secretary, Prudential Financial, Inc., Arnold J. Johnson, Senior Vice President, General Counsel and Secretary, Noble Energy, and David A. Katz, Wachtell, Lipton, Rosen & Katz.

Presenters at a summary session will include Prof. Buchanan and William Laufer, Professor, The Wharton School of the University of Pennsylvania.

As 2015 Proxy Season Opens, Political Disclosure Tops 130 Companies



Four companies have adopted the Center for Political Accountability's model disclosure resolution in the start of the 2015 proxy season, bringing to 133 the number of public companies accepting the resolution.

CPA's shareholder partners kicked off the proxy season by negotiating the agreements on corporate political disclosure and accountability policies. They were reached with Public Service Enterprise Group (PESG), an integrated generation and energy services company; MeadWestvaco Corporation, a packaging and chemicals company; Cerner Corporation, a health care information technology company; and FMC, an agricultural and specialty chemicals company.

The City of Philadelphia Public Employees Retirement System agreed to withdraw its shareholder resolution after PSEG agreed to adopt transparency and accountability policies. The Firefighters Pension System of the City of Kansas City withdrew its proposal at FMC. Domini Social Investments agreed to withdraw its resolution at MeadWestvaco; First Affirmative Financial Network was behind the agreement with Cerner.

CPA began advocating more than a decade ago, with shareholder partner groups, for corporations to voluntarily disclose their political spending.

corporations and elected officials accountable for their positions and supporters."

Kennedy added, "Shareholders can determine whether their corporation's political speech advances the corporation's interest in making profits, and citizens can see whether elected officials are 'in the pocket' of so-called moneyed interests."

But Congress has not responded by mandating disclosure, on the Internet or otherwise. Dark money — anonymous political donations from individuals or companies — [keeps increasing dramatically](#). There is urgency to asking corporations to pull back the veil voluntarily, and more public companies are doing so, letting sunlight shine on their political spending and thereby promoting accountability.

According to the Center for Political Accountability-Zicklin Center [Index of Corporate Political Disclosure and Accountability](#), more than 60 percent of the top 300 companies in the S&P 500, or 183 companies, have disclosed full or partial information on their contributions to political entities. Almost half of these companies disclose their payments to trade associations; a third have opened up about payments to "social welfare" nonprofit organizations — such as Crossroads GPS on the right and Priorities USA on the left — that keep their donors secret.

Furthermore, 129 U.S. companies — including more than half of the S&P 100 Index — have adopted political spending disclosure policies as a result of agreements with shareholders. A majority of almost 200 public companies studied last year and this year received better transparency scores this year, continuing several years of increasing sunlight.

The chamber and other advocates of secret spending condemn our annual benchmarking study of the political disclosure and accountability policies of the top U.S. companies. They characterize it as a weapon to muzzle companies' free speech. If that were true, would blue-chip companies such as JPMorgan Chase, Exelon, Merck, Microsoft, EMC, Lockheed Martin, Altria, Noble Energy and Boeing choose to spotlight their transparency ratings in public?

These are among the companies leading the way in adopting disclosure voluntarily because they understand the perils of secret political money. A company's reputation can be harmed if a political payment is exposed as conflicting with its stated values or business objectives. When donations are secret, a politician can quietly shake down a company. When a company "outsources" its politics through payments to a third-party advocacy organization, it can lose control over the funding. The Watergate scandal four decades ago illustrates the dangers of dark money.

Over the past decade, the business community has moved toward more corporate board oversight and voluntary disclosure when it comes to corporate political spending. This not only enhances disclosure; it also reflects a greater appreciation of the

unnecessary harm and risks posed to a corporate brand that can come from focusing on political campaigns rather than on marketplace challenges.

On several other fronts, including supply chain management, executive compensation, privacy and environmental impact, U.S. companies are moving more broadly toward transparency. Disclosure of political spending is part of this continuum. Despite the critics' attacks, it is bringing sunlight and promise for a new mainstream standard in the post-*Citizens United* political era.

disclosure was spotlighted in a [guide](#) issued by the Covington & Burling law firm, entitled "Responding to Corporate Political Disclosure Initiatives."

"CPA's role as the major player in the political spending disclosure arena will continue to grow this year," stated the "How-To Guide for In-House Counsel," dated Jan. 14.

The annual CPA-Zicklin Index of Political Disclosure and Accountability, a benchmarking study, got prominent mention in the guide, with an entire section devoted to ways companies can improve their Index scores.

Among its tips, the guide emphasizes that companies have "room for judgment and negotiation" when the annual Index is compiled.

"CPA typically sends companies a document with their 'preliminary grading' in the summer and invites them to comment. Companies should take advantage of the invitation," the guide said.

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