CENTER FOR POLITICAL ACCOUNTABILITY

Spotlight on CPA - July/August 2016

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At Close of Proxy Season Wall Street Journal Trumpets CPA's Success

The 2016 proxy season yielded sustained support for the Center for Political Accountability's model political disclosure resolution, as a historic presidential election campaign heated up. Meanwhile, 153 S&P 500 companies "have entered into political-spending disclosure agreements that provide details of such contributions, according to the Center for Political Accountability," the **Wall Street Journal's** CFO Journal reported Aug. 1, providing context for the proxy season results.

"The Big Number: 153," an WSJ headline declared. The article proceeded to quote Bruce Freed, CPA president, as saying about this year's proxy season average vote on the disclosure resolution, "It sends a strong message to companies that shareholders still support [such measures]."

At press time, CPA's model resolution received an average vote of 33.33 percent, based on shareholder votes at 17 companies. The average was one of the highest for all shareholder resolutions voted upon this year. Resolutions on sustainability and the environment, for example, received average votes of 23 percent and 20 percent, respectively.

Shareholders cast majority votes for the resolution at two companies: Fluor Corporation, 61.9 percent, and NiSource, 50.28 percent. Several companies had votes in the 30 to 40 percent range including NextEra Energy Inc. (43 percent); Western Union Co. (41.7 percent); The Travelers Companies Inc. (35 percent); and Express Scripts Holding Co. (30.5 percent).

In addition, the following 11 companies – across a range of sectors – adopted disclosure: CenterPoint Energy Inc., Coca-Cola Enterprises, Corning Inc., First Solar Inc., J.M. Smucker Co., Lincoln National Corp., Nordstrom Inc., Raytheon Co., Southern Co., Union Pacific Corp., and Waste Management Inc.

More than 300 of the S&P 500 companies have adopted some form of political disclosure. The 153 companies adopting disclosure agreements have done so since CPA's founding 13 years ago.

The J.M. Smucker Co. agreement to adopt political disclosure was announced by New York State Comptroller Thomas P. Di Napoli after the N.Y. State Common Retirement Fund reached the agreement and withdrew a Smucker shareholder proposal it had filed.

"In the aftermath of the Supreme Court's decision in Citizens United, investors have been left in the dark on how and where corporate dollars are spent on political causes," **Pensions & Investments** quoted Di Napoli as saying. "I believe shareholders have the right to know where their money is being spent," he added.

"We're pleased that Mr. Di Napoli partners with CPA and is a leader in achieving corporate political disclosure," Freed noted.

THE CONFERENCE BOARD

Welcome Guidance for Companies in Navigating Political Spending Risks

Founder's Column
By Bruce Freed

What better time than the heat of a blockbuster presidential and congressional election cycle for a reminder to U.S. companies about the value of complying with good governance practices for political spending?

In **a blog for The Conference Board**, strategic and legal corporate governance expert Rhonda L. Brauer offers her views. We applaud her thoughtful and balanced commentary, and we're especially pleased that Brauer cited the Center for Political Accountability and our annual CPA-Zicklin Index in discussing useful models and resources on evolving good practices. Here are a few key excerpts from her analysis:

ACCOUNTABILITY: “Political spending is increasingly another way to evaluate whether a board is complying with good governance practices and fulfilling its fiduciary duties. Such spending is a use of corporate assets on which the risk and potential return can be evaluated and which should be explainable to a company’s investors, employees and other constituencies. Especially in regulated industries, participating in the political process can be a valid way of constructively advocating for a company’s positions with regulators and legislators, to further its business strategy and shareholder interests. Therefore, well-performing boards should be asking itself, its management team and often its expert in-house and/or independent outside counsel about their companies’ political spending, as well as their board and management oversight and policies in this area.”

GETTING A HIGH INDEX SCORE: “[Considering] the risks of reputational harm in this area, it is important for companies both to achieve a high score in the CPA-Zicklin Index and to be prepared for shareholder engagement and proposals seeking even greater disclosure of the company’s practices.”

CPA WILL ENGAGE WITH CORPORATIONS: “It is important to remember that companies can engage with CPA regarding a company’s score in the Index.”

WHY ALL OF THIS MATTERS TO OUR PLANET: “There are clearly enough data and company models out there for Corporate America to be more responsible in its political spending activities. This is an area where good practices in corporate governance and a strong and positive tone at the top may be able to make a difference in the future of our nation, economy, government and planet.”

Brauer is a senior fellow with The Conference Board Governance Center. She recently founded RLB Governance, where she promotes best practices in corporate governance and company-shareholder engagement.

Lindblom and Pearl Join CPA Board of Directors

Lance Lindblom and Morris Pearl joined the CPA Board of Directors in July. They bring the Center a wealth of leadership experience that will be helpful in guiding the Center in its next action phases.

Lindblom is retired President and CEO, and Trustee, of the Nathan Cummings Foundation. The New York City-based foundation works independently and also with other investors to file shareholder resolutions on issues with implications for both long term shareholder value and the foundation's focus areas. Over the last 12 years, NCF has filed more than 180 shareholder resolutions on issues ranging from climate change to executive compensation (and including corporate political disclosure).

Lindblom also has served as a program officer for the Ford Foundation; as executive vice president of the Open Society Institute; as Visiting Fellow at the International Human Rights Law Institute; and President and CEO of the J. Roderick MacArthur Foundation.

Morris Pearl is a former managing director at BlackRock, one of the world’s largest investment firms, and he now serves as Chair of the Patriotic Millionaires, a group of 200 high-net-worth Americans committed to building a more prosperous, stable, and inclusive nation. Prior to BlackRock, Pearl had a long tenure on Wall Street, where he invented some of the securitization technology connecting America’s capital markets to consumers in need of credit.

“The Center is fortunate to have these two prominent leaders joining the board. They are deeply committed to reform and to bringing vast expertise from their careers in the worlds of charitable foundations and investments,” said John Milton Cooper Jr., CPA board chair.

"It is an honor to join CPA's fight to bring transparency and accountability to corporate political spending in order to restore the democratic promise of our nation. Pulling back the veil that hides the secret political influence of corporate money and undermines our democracy is the first step to providing accountability to citizens, stockholders and other stakeholders,” Lindblom said.

Pearl said he was “proud to join the Center for Political Accountability and to support its work on requiring disclosure of political spending by public corporations. When corporate executives secretly spend shareholders’ money on politics, it is not good for politics and is not good for business.”

‘Dark Money’ Soars; FEC Chair Ravel Cites Disclosure Models

In a **Los Angeles Times op-ed**, Federal Election Commission Chair Ann M. Ravel said that at a time of surging campaign spending from undisclosed sources, “states and cities can take steps to improve transparency in campaign spending.”

Already, “$37 million of dark money has been spent this election cycle – three times the amount spent at this point in 2012,” Ravel reported. But court rulings and the FEC’s “dysfunction have completely hampered the ability to ensure accountability in election spending on a nationwide level,” she said.

Some states and cities are making strides. Ravel spotlighted the experience of California, where dark money “has been kept to a minimum,” and commended Connecticut, Montana, New York City and Austin, Texas for their actions.
