CENTER FOR POLITICAL ACCOUNTABILITY

Spotlight on CPA - March 2016

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2016 Proxy Season: Another Strong Start for CPA Effort

In a strong start to the 2016 proxy resolution season, 10 publicly held companies have agreed to adopt the Center for Political Accountability's model disclosure resolution. This brings to 152 the total of public U.S. companies that have accepted the resolution.

"Especially in a presidential election year, we're thrilled to see more companies in industrial sectors across the board agreeing to bring sunlight and accountability to their political spending," said CPA President Bruce Freed. "With voluntary disclosure, these companies are taking a stand to check surging 'dark money' political spending."

CPA's shareholder partners launched the proxy season by negotiating the agreements on corporate political disclosure and accountability policies, and withdrawing shareholder resolutions once agreements were reached.

Agreements were struck with Lincoln National Corp., a holding company; glass and ceramics-maker Corning Inc.; The Southern Co., a utility holding company; fashion retailer Nordstrom Inc.; First Solar Inc., making photovoltaic modules; Coca-Cola Enterprises; defense contractor Raytheon Co.; environmental services company Waste Management Inc.; railroad giant Union Pacific Corporation; and CenterPoint Energy Inc., an electric and natural gas utility.

The New York State Common Retirement Fund agreed to withdraw its shareholder resolutions upon agreements reached with Coca-Cola Enterprises, Raytheon, Waste Management, Union Pacific, and CenterPoint Energy. Clean Yield Asset Management was behind the agreements with Lincoln National, Corning, and The Southern. Newground Social Investment sought the agreement with Nordstrom, and Domini Social Investments the agreement with First Solar.

The Waste Management and Raytheon agreements followed strong shareholder votes for disclosure last year of 47 percent support and 45.9 percent support, respectively. Such votes often are a prelude to company adoption of political disclosure and accountability policies.

Efforts for Union Pacific to accept a disclosure policy first began 12 years ago, in the 2004 proxy season. Three of the four major U.S. railroads – including CSX and Norfolk Southern – now have adopted disclosure, while BNSF Railway has not.

New York State Comptroller Thomas P. DiNapoli said about the agreements reached with the N.Y. State Common Retirement Fund: "These companies should be commended for agreeing to voluntarily disclose their political expenditures. Transparency is vital for investors to determine whether corporate political spending benefits a company's long-term value.'

With Spending Turning to Congressional Races, Disclosure of Trade Association and c4 Donors Even More Important

Founder's Column
By Bruce Freed

With the GOP presidential primary volatile and sometimes chaotic, super PACs and political non-profits "have opened the spending spigot on congressional elections," **Bloomberg Politics** reported this month.

The spigot has released a gusher. According to Bloomberg, these outside groups from both political parties have spent a combined $34.1 million on races for the House or Senate, a whopping 85 percent increase from the $18.4 million spent at a corresponding point in the 2012 elections.

This heightened spending, in part fueled by fears that the GOP presidential primary could put control of Congress at stake, brings more pressure for corporations to open their checkbooks.

There is also another important reason to take note of it: These are some of the channels where corporate spending on elections adds up fast. When added to corporate political spending at other levels, including state and local, we at CPA calculate that corporations are responsible for the greatest spending in the political arena, with direct and indirect contributions totaling hundreds of millions of dollars.

Bloomberg identified key funding streams: "In addition to super-PAC spending, groups that aren't required to disclose their donors are also spending big. Trade associations like the U.S. Chamber of Commerce and non-profits including Americans for Prosperity, the advocacy group linked to billionaires Charles and David Koch, have spent a combined $15.5 million in 2016 on congressional races so far."

The shift by some major donors to spending on downballot races rather than the presidential contest also was the topic of a **Center for Public Integrity article** mentioning the Chamber. A Chamber spokesman told CPI, "While $200 million has been spent supporting GOP Presidential candidates that did not make it to the final three, many big donors are recognizing the importance of keeping the Senate pro-growth – and serving as the final backstop to confirm or reject federal regulators and judges."

It is in this high-stakes environment that we once again stand up and call for disclosure of donors to the Chamber and other trade associations and "social welfare" organizations, and for political business to be conducted in the daylight.

No fewer than 152 publicly held companies have chosen to allow sunlight on their political spending by adopting CPA's model resolution for public disclosure and accountability. By so doing, they are building a solid foundation for greater corporate and government accountability and transparency. If the Chamber pulled aside the veils of secrecy about its political donors, it could become a beacon for corporations across the nation.

CPA in the News: Wall Street Journal Features CPA Compliance Initiative

Corporate political spending "is again a hot topic this proxy season," and attention is beginning to turn to company compliance with internal policies on the topic, a Wall Street Journal blog reported on March 3, featuring a new CPA initiative (see **February newsletter**).

Mara Lemos Stein wrote impartially in the blog about a roundtable discussion on compliance and accountability co-hosted by CPA, about an expectation that some 100 resolutions may be presented to large U.S. companies this season, and about law firms stressing the importance of strategic thinking by companies.

"Companies that ignore disclosure initiatives have been the target of shareholder resolutions, bad press and lawsuits," cautioned Zachary Parks, special counsel in Covington & Burling's Washington, D.C. office.

The blog quoted Timothy Smith of Walden Asset Management about investors' goals for disclosure resolutions. "What we are asking for in disclosure is that a company be upfront and explain why such spending is important" for a company's strategy, he said.

CPA President Bruce Freed told the blog, "Ensuring management adherence with a company's policies on political spending is a new area for compliance folks and involves more than compliance officers." He added, "Disclosure, board oversight and robust compliance are intertwined and an integral part of enterprise risk management of political spending."

REYNOLDS AMERICAN DISCLOSURE: "Tobacco giant gave $250,000 to group representing black-owned newspapers" and contributed to Americans for Prosperity, a "social welfare" organization that does not disclose its donors, the **Center for Public Integrity** reported this month in an article about Reynolds American. The article was based on data disclosed by Reynolds American through a policy adopted at the urging of a shareholder. CPA's Freed was quoted as saying that for political transparency, Reynolds American is not perfect but deserves praise and is a leader.

SHAREHOLDER RESOLUTIONS: **Bloomberg BNA** had an article on shareholder resolutions for political spending disclosure this proxy season. It mentioned CPA and others asking specific companies for disclosure and also discussed the CPA-Zicklin Index. Jan Baran, a Wiley Rein partner, told attendees at Georgetown University Law Center's Corporate Counsel Institute conference recently, "Over the last three or four years, I think there has been more voluntary measures by companies," and these include disclosures and assigning someone to oversee compliance.

News About the CPA-Zicklin Index Going Global; 'Dark Money'

ACROSS THE GLOBE: The Center for Political Accountability is pleased to announce that the Australasian Centre for Corporate Responsibility (ACCR) is planning to apply to Australian companies a modified version of the scoring system used in the 2015 CPA-Zicklin Index of **Corporate Political Disclosure and Accountability**.

ARIZONA: Language buried in a campaign finance bill advancing in the Arizona legislature "allows **dark money groups** to double the amount they spend on ballot measures" and "would also let nonprofit groups spend more money influencing elections without having to reveal donors," according to **The Associated Press**.

WASHINGTON STATE: "A judge ruled … that the Grocery Manufacturer's Association violated Washington campaign finance disclosure laws by **hiding the identities** of corporate donors that were funding efforts to defeat a food labeling initiative in Washington, **The Seattle Post-Intelligencer** said.

WASHINGTON, D.C.: "The FEC just made it easier for super PAC donors to **hide their identities**," declared a **Washington Post headline** on March 7 regarding the Federal Election Commission.

CPA Outreach: Return Engagement at Stern School; Media Call with Watchdog Groups

On March 23, CPA, the Center for Responsive Politics and National Institute on Money in State Politics held a conference call to inform more than a dozen reporters about unique and expanded resources for tracking campaign money during the 2016 election cycle. This included first time data on previously undisclosed company payments to trade associations, and company contributions to 501(c)(4) groups.

CPA's Bruce Freed spoke for the second consecutive year to Prof. Bruce Buchanan's groundbreaking corporate political engagement course at New York University's Stern School of Business. The course was an outgrowth of a roundtable CPA cosponsored three years ago with Stern, The Wharton School of the University of Pennsylvania, Columbia Law School and Baruch College's Zicklin School of Business.
