



CENTER FOR
POLITICAL ACCOUNTABILITY

Spotlight on CPA - March 2017

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MarketWatch

MarketWatch Suggests Correlation between High Company CPA-Zicklin Index Score & Strong Market Performance

"[S]ustainable democracy is at risk," Michael Brush wrote in [MarketWatch](#) this month in a bold analysis that prominently featured the Center for Political Accountability.

Brush borrowed from CPA's playbook when he suggested that socially responsible investors can do something about the threat to "sustainable democracy" by favoring companies that practice political spending transparency; that have policies governing how they donate; and that exercise strong board oversight of the full range of political spending.

He suggested there is a correlation between companies investing in sustainable democracy and earning better financial results. For that comparison, he looked at the performance of the 48 top companies in the CPA-Zicklin Index of Corporate Political Disclosure and Accountability against the Guggenheim S&P 500 Equal Weight ETF.

"The results are remarkable. CPA's top 48 stocks beat the market by 7 percentage points over the past three years," Brush wrote. He also cautioned, "Correlation does not equal causation. The sample size is small. And there are only two time frames."

His column is titled, "Now there's a way to invest and save democracy at the same time: Companies with high scores on 'sustainable democracy' tend to outperform the broader market, studies suggest."

PwC Pulse: CPA also got top billing in the PwC newsletter, Pulse, when CPA President Bruce Freed was interviewed by Paul DeNicola, managing director at PwC's Governance Insights Center. Here is an excerpt:

DeNicola: Why do directors need to be thinking about their companies' involvement in political spending?

Freed: ... One thing that surprises us in our conversations with companies is that even at the management level, it sometimes seems like the right hand doesn't know what the left is doing when it comes to contributions.

Directors really need to be conversant about what their company is doing, to be able to ask questions and set policies. Should the company engage in spending? If so, what types of spending and what reports should the company require from recipients of the company's money? It is the board's job to monitor spending and avoid conflicts that could arise between company values, company positions, company business strategies and the consequences of its spending.

Dallas Morning News: The Texas newspaper examined the kinds of political spending that Fluor Corp., a global engineering company, recently disclosed after the company adopted a disclosure policy on the heels of a majority of shareholders calling for it to do so. The article quoted CPA about the value of corporate political disclosure.

For any U.S. company trying to navigate the first 100 days of Donald Trump's presidency, the seas are rough.

Debate in States Underscores Need for Universal, Uniform Disclosure Founder's Column

By Bruce Freed

In state capitals nationwide, there's a flurry of debate about the pernicious effect of political "dark money" that cannot be traced to donors – and an array of proposals for action.

A proposal advancing in Connecticut, for example, would require boards of directors for corporations to sign off on company political spending and then tell

A proposal strengthening disclosure requirements, for example, would require boards of directors for corporations to disclose on company political spending and then to shareholders, too. It would also bar independent expenditure groups from accepting contributions from donor groups that do not disclose their major funding sources.

In New Mexico, lawmakers have approved legislation that would “would require a group spending over \$1,000 on ‘independent expenditures’ (i.e., communications expressly advocating the election or defeat of a candidate that are made independently from the candidate) to file a publicly accessible report with the secretary of state,” according to Trevor Potter, head of the Campaign Legal Center in Washington, D.C. He discussed the measure in the [Santa Fe New Mexican](#).

At CPA, we’re always encouraged to see discussion of shining light on “dark money.” Yet the varied nature of current proposals underscores the importance of making corporate political disclosure uniform and universal, to avoid a patchwork of scattered and incomplete state requirements, and highlights CPA’s voluntary disclosure resolution as the most effective and proven means to get there.

Nowhere is the value and usefulness of this uniformity better illustrated than in the CPA-Zicklin Index of Corporate Political Disclosure and Accountability, our benchmarking of transparency and accountability practices at the largest publicly held companies.

This unique annual resource shows how companies stack up against one another. It serves the news media, shareholders, academia and business and industry leaders. It also shows the critical role of private ordering to achieve transparency and accountability on a nationwide basis, a theme of the Roundtable that CPA cosponsored in New York last month (see February newsletter).

Meanwhile, a drumbeat for disclosure continues in a number of states. To learn more, see [Hartford Courant](#), “Lawmakers Battle ‘Dark Money’ – Klarides Decries Hypocrisy”; [Tampa Bay Times](#), “Will legislators lift the veil on ‘dark money’ in Florida politics?”; and joint [Kansas City Star and St. Louis Post-Dispatch editorial](#), “A call for transparency – Eric Greitens still governing in the dark.”



Huff Post Highlights Conflicts in Company Political Spending Affecting Planned Parenthood Debate

“What exactly is going on here?” “Can you explain that one again, please?”

Investors in pharmaceutical companies may have asked questions like these after reading a Maplight investigation, published by [Huffington Post](#), with a headline that declared, “Contraceptive Makers Helped Elect Republican Congress Ready To Defund Planned Parenthood.”

The top six manufacturers of birth control pills and contraceptive devices “provided a combined \$1.9 million in direct support to GOP House and Senate candidates during the 2015-2016 election cycle, while they gave \$1.2 million to Democratic candidates,” reported Andrew Perez of Maplight.

“The drug companies also contributed at least \$562,500 to the U.S. Chamber of Commerce in 2015. The Chamber, the principal lobbying group for businesses in Washington, spent \$29 million over the 2016 cycle to boost Republican Senate and House candidates, many of them staunch conservatives who vowed to defund Planned Parenthood and support Supreme Court nominees willing to overturn *Roe v. Wade*.”

What’s the backstory? Perez’s article continued, “The top manufacturers of contraceptive pills and devices are among the world’s biggest drug companies. They have many interests before Congress, and their product lines include drugs that generate more revenue than birth control. While the firms may publicly support expanding access to birth control, the fight over Planned Parenthood funding may take a back seat to other company priorities, such as corporate tax reform or speeding up the drug approval process.”

CPA’s Bruce Freed was quoted as saying that companies “need to know how their money is being used and ensure that it’s not in conflict with their values, their policies and their business.”

“This type of consistency is important,” Freed added. “Conflicts can pose serious risks for the companies.”

Disclosure Briefs

Berkshire Hathaway Inc. investors will have an opportunity May 6 to vote on CPA’s model corporate political disclosure resolution. Chairman Warren Buffett and his board oppose it. The company said it currently complies with legally imposed disclosure requirements, [Bloomberg](#) reported.

Pinnacle West Capital Corporation, a publicly held holding company for the Arizona Public Service utility, recently agreed (see [January newsletter](#)) to disclose its policies and procedures for making political contributions. This month, [KJZZ](#) had a news report headlined, “APS Says It’ll Be More Open About Future Political Contributions.”

In *Independence Institute v. FEC*, a case that election law scholar [Rick Hasen](#) said “could have called into question the effectiveness of federal and state disclosure laws,” the **Supreme Court** affirmed a lower court ruling allowing disclosure.

Supreme Court nominee Neil Gorsuch “has observers wondering if he could be a vote to strike down campaign finance disclosure requirements if he winds up with a seat on the high court,” [Bloomberg BNA](#) reported.

Trump Watch 2017

At a political rally in Kentucky, President Trump pledged that after his administration tackles tax cut legislation it would move, according to [Daily Caller](#), “to work on bringing down the cost of medicine by having a fair and competitive bidding process.” Trump also discussed money in politics. He said, “The cost of medicine in this country is outrageous. Why? Same pill. Same manufacturer. You know why? Campaign contributions, who knows, but somebody is getting very rich.”

A Gretchen Morgenson column in [The New York Times](#) discussed the value of individual and institutional investors taking a more active approach to proxy voting. It was headlined, “Want Change? Shareholders Have a Tool for That.”



Inside CPA

Donna Thomas has joined CPA as the new vice president for advancement and also serves as administrative and financial officer. She previously worked as director of development for organizations in New York City and in the Washington area. Thomas has a Ph.D. in Psychology from Tufts University and master's and bachelor's degrees from Simmons College.

Michael Novelli, CPA's chief financial and administrative officer for the past decade, is leaving CPA to pursue other interests. CPA President Freed, thanking Novelli for his contributions to the Center, said he “has been an invaluable counselor.”

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