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Spotlight on CPA - May 2018

In This Edition:

Click to Jump to Story

- [New Environment Requires Companies Follow New Rules for Political Spending](#)
- [CPA Lays Out In The Hill How Robust Political Transparency and Accountability Can Protect Companies from AT&T-Novartis-Michael Cohen Type Scandal](#)
- [Wall Street Journal Quotes CPA's Karl Sandstrom on AT&T's Michael Cohen Payments](#)
- [Shareholder Season Update](#)
- [Companies Using CPA-Zicklin Index to Defend Their Reputations](#)
- [2018 CPA-Zicklin Index](#)
- [CPA in the News](#)

Publix.

New Environment Requires Companies Follow New Rules for Political Spending

Founder's column by Bruce Freed

Are the practical rules that guide company spending on politics suddenly changing? Without question, given the firestorm that erupted around the Florida supermarket chain Publix this month, going viral and resulting in a corporate turnabout only 10 days later.

That's warp-speed for a backlash-and-a-backpedal in the corporate communications world, and other companies can't ignore this high-profile public relations disaster for a Fortune 500 company. Here's the basic timeline:

- May 15: [The Tampa Bay Times](#) reports, "The Florida supermarket giant Publix has given more money to Adam Putnam's gubernatorial bid than any other candidate since at least 1995 and likely for the entirety of the company's history. Publix, the heirs to the company's founder and its current and former leaders have given Putnam \$670,000 in the last three years — or enough money to buy 74,527 chicken tender subs."
- May 16: A social media storm brews along with a shopper boycott. Some activists take to Twitter to "register their displeasure" over Publix's donations, according to [The Tampa Bay Times](#). In the aftermath of the Parkland, Fl. school shooting massacre, they're focusing on Putnam's having declared himself a "proud NRA sellout." Publix attempts to clarify its stance, assuring Floridians it "has not provided financial support to the National Rifle Association."
- May 23: David Hogg, the 18-year-old gun control activist and Parkland student, [tells his nearly 800,000 Twitter followers](#) of planned "die in" protests at Publix stores several days later. Publix has not publicly revised its position.
- May 25: Just ahead of the protests in the supermarket aisles, Publix announces suspension of its political contributions to Putnam, according to [The Washington Post](#). "We would never knowingly disappoint our customers or the communities we serve," it says. "As a result, we decided earlier this week to suspend corporate-funded political contributions as we reevaluate our giving processes."

- May 26: Already there is a flood of reaction and analysis. A blistering [Sun Sentinel editorial](#) questions whether Publix benefitted from official actions of Agriculture Commissioner Putnam’s underlings, and it attacks a wider, deeper “campaign swamp” in Florida. It contends some companies are effectively engaging in legal – but inherently wrong – campaign money laundering through gifts to such entities as business organizations that in turn give to candidates. “It maximizes corporate power over government in ways that are nearly invisible to the public,” the editorial warns about this practice.

The bottom line: All the lessons of how Parkland affects Publix – and other companies in Florida that spend money on politics – aren’t final yet. But several are indelible already. As CPA will spotlight in a soon-to-be-released report about company political spending in our polarized times, corporations are in the crosshairs. Every day they’re being asked to take a stand on matters of civic and public policy engagement amid heightened scrutiny from consumers, shareholders, activists, and social and mainstream media. The result is increased risk.

In this climate, companies that decide to engage in political spending must do it very carefully, seeking to manage the inherent risks. When a company contributes to a candidate like Putnam, it’s associating itself not just with a politician but all of the positions he or she is supporting.

“Companies live in glass houses,” Jolie Balido, co-founder and CEO of Roar Media, a public relations and internet marketing company in Miami, told [The Sun Sentinel](#). “You have to be prepared [to ask]: What will the perceptions of my actions be?”



CPA Lays Out In The Hill How Robust Political Transparency and Accountability Can Protect Companies from AT&T-Novartis-Michael Cohen

Type Scandal

CPA co-founders Bruce Freed and Karl Sandstrom explain in an op-ed in [The Hill](#) that the scandal that has tarnished AT&T and Novartis could have been avoided with more robust political transparency and accountability policies.

“As corporate titans AT&T and Novartis continue to stumble in explaining their respective \$600,000 and \$1.2 million payments to President Trump’s longtime personal lawyer, Michael Cohen, no explanation has been offered why these payments were structured to avoid public disclosure,” they wrote. “The fact that these payments were intentionally shrouded in darkness means that they will remain a stain on these companies’ reputations.”

The authors added, “That’s the little-noticed lesson that fellow CEOs should take away from the latest pay-to-play scandal... Secrecy blown up by inadvertent disclosure can aggravate the bad optics of a suspicious expenditure on politics. Any perception that an activity was intentionally hidden corrodes trust.”

The logo for the Wall Street Journal, consisting of the letters 'WSJ' in a large, bold, serif font, centered within a light gray square background.

Wall Street Journal Quotes CPA’s Karl Sandstrom on AT&T’s Michael Cohen Payments

In a [Wall Street Journal](#) story about AT&T’s hiring of Trump attorney Michael Cohen, Sandstrom, CPA’s counsel, explained why the \$600,000 payment has caused a firestorm of criticism.

“Companies often hire consultants to explain the federal bureaucracy to them. Such advisers can legally work for clients without registering as lobbyists as long as they avoid pitching elected officials on specific policies,” the article stated. Sandstrom noted that there is “a whole industry here in Washington built

around providing deep information on how the government is likely to address complex issues.”

He added, however, that Cohen has no background in legal areas of relevance to AT&T: communications and antitrust law. “Nobody’s going to pay you \$600,000 to tell you something you could have read in your paper this morning,” he said.

Shareholder Season Update

Support for CPA’s model political disclosure resolution has surged this proxy season with the average topping 35% at 15 companies that have voted so far. Three resolutions are outstanding. Last year’s average was just shy of 30%. The most recent results are:

- Alliant Energy Corp. – 39.03%
- Allstate Corp. – 46.53%
- Ameriprise Financial Inc. – 38.80%
- Charles Schwab Corp. – 25.41%
- CMS Energy Corp. – 45.16%
- Equifax Inc. – 29.71%
- Ford Motor Co. – 21.10%
- NRG Energy Inc. – 35.23%
- Range Resources Corp. – 35.87%
- Western Union Co. – 47.05%
- Wynn Resorts Ltd. – 36.65%

Companies Using CPA-Zicklin Index to Defend Their Reputations

Ameren, a Missouri-based utility, cited its status as a CPA-Zicklin Trendsetter in a [Jefferson City News Tribune](#) article to refute allegations that it and other utility companies use political contributions to “change and circumvent the oversight of the [Missouri Public Service Commission].”

Ameren Missouri's vice president of external affairs and communications said, “The Center for Political Accountability, a national watchdog on political contributions, ranks our company in the top 10 percent of Fortune 500

companies for the thoroughness of our political contribution reporting.” Wood repeated this defense in a letter to the editor of the [St. Louis Post-Dispatch](#).



Clash between FirstEnergy and Ohio Lawmaker Reveals Power of Dark Money

The [Center for Public Integrity](#), a leading investigative journalism organization, exposed Akron, OH-headquartered utility FirstEnergy’s funding of dark money attack ads against Ohio state representative Christina Hagan during her congressional campaign. Hagan had opposed state legislation the company favored.

The ads targeting Hagan, a candidate in the Republican primary for Ohio’s 16th congressional district seat, were run by the Conservative Leadership Alliance—a 501(c)(4) group that does not disclose its donors. The group’s treasurer, however, is a FirstEnergy lobbyist who has received at least \$640,000 from the company since 2010.

The article showed how secret spending can be used to reward or punish legislators for their decisions. “They just wanted to make an example of me,” Ms. Hagan said.

2018 CPA-Zicklin Index

Data collection for the 2018 CPA-Zicklin Index of Corporate Political Disclosure and Accountability began on May 30. Please contact Nanya Springer, vice president of programs, with any questions or concerns about this year’s CPA-Zicklin Index. Her e-mail is nspringer@politicalaccountability.net.

CPA in the News

Corporate political spending is a hot topic in the media, and CPA has been weighing in on how companies should act to protect their reputations and shareholders.

In the wake of a consumer boycott against Publix, a Southeast supermarket

chain, for its political contribution to Florida gubernatorial candidate Adam Putnam who dubbed himself “a proud #NRASellout,” CPA’s Freed told the [Sun Sentinel](#) “when you engage in political spending you have to do it very carefully, manage the risk that is associated with political spending.” He added that companies should look at the “whole package that they are endorsing through their contributions ... when a company contributes to a candidate, it is associating itself with all the positions the candidate is supporting.”

In an op-ed in [The Hill](#) promoting the Corporate Political Disclosure Act of 2018, California Rep. Salud Carbajal wrote, “In the absence of any formal rule from the SEC, pressure from stockholders has prompted close to 300 of the Standard & Poor (S&P)’s 500 companies [to] implement[] some form of disclosure of their spending on political campaigns and lobbying activities, according to the Center for Political Accountability. While this is good progress, we need uniform reporting requirements for all publicly traded corporations.”

The [Center for Public Integrity](#) reported that a study found both liberals and conservatives support a constitutional amendment overturning *Citizens United*. The Center noted that although several “major corporations with household names indeed keep their political practices and spending quiet, such as Expedia, Garmin and Netflix, among others,” such an amendment is unlikely to pass.

Travel industry publication [Skift](#) reported that shareholders are pushing travel companies to disclose their political spending in the run-up to the midterm elections. It cited the CPA-Zicklin Index, noting that “Host Hotels & Resorts is the only travel company in the first tier of the index, which denotes a strong commitment to disclosure, policy, and oversight.”



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