CENTER FOR POLITICAL ACCOUNTABILITY

Spotlight on CPA - September 2017

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2017 CPA-Zicklin Index Shows Sustained Company Embrace of Political Disclosure and Accountability

Public corporations' embrace of transparency and oversight has continued to grow during the presidency of Donald Trump, the 2017 CPA-Zicklin Index of Corporate Political Disclosure and Accountability shows.

The seventh annual Index, produced by the Center for Political Accountability in conjunction with the Zicklin Center for Business Ethics Research at The Wharton School at the University of Pennsylvania, was released on Sept. 22. As has been the case previously, the Index received in-depth news coverage from The Wall Street Journal and other media outlets.

"More Company Boards Add Oversight of Political Spending," declared the Journal's headline, adding, "Committees at 31% of S&P 500 firms review payments to trade associations, study finds." The Journal is rated the largest newspaper in the nation for paid circulation.

"More large companies are disclosing how they spend to influence government, and company boards are taking on a more direct role in overseeing that spending, a new study finds," the article reported. "Together, the changes underscore the pressure companies face to limit political involvement even after winning the legal right to spend more on elections."

In a nod to impact of the Index, the article said, "In the end, accountability efforts like the index, along with shareholder resolutions seeking greater disclosure and the risk of consumer backlash, serve as a kind of nongovernmental check on corporate spending, said Robert Yablon, a University of Wisconsin law who has written on the subject and wasn't involved in the project."

The article also indicated how CPA has sought to bridge the business world and shareholder and democracy interests with its campaign for political disclosure.

"The trend toward greater disclosure reflects a growing sense that good corporate governance requires it—but it also provides companies some cover, says Bruce Freed, president of the Center for Political Accountability, which seeks to increase such disclosure.

"'They recognize that having disclosed, and having policies, lets them better manage their political spending,' Mr. Freed said. 'It's much easier to say no—then when you say no, it's not personal, it's policy-based.'"

Additional coverage included The Philadelphia Inquirer, "Comcast, AmerisourceBergen, Campbell Soup: Which politicians get the corporate money?"; The Newark Star-Ledger, "These N.J. companies reveal which politicians get their cash. Why won't others?"; Center for Public Integrity, "Your favorite companies may be political black boxes"; and Axios, "Health Care Companies Rank High on Political Transparency."

The Index found that 50 companies in the S&P 500 received the highest scores of 90 percent or above, up from 41 in 2016 and 28 in 2015. These 50 "Trendsetter" companies spanned all sectors of the U.S. economy. Becton, Dickinson and Co. received a first-place rating of 100 percent for 2017. For complete details view the index here.

In a foreword to the Index, CPA Board Member Daniel Bross, recently retired from Microsoft, addressed corporate governance values and corporate character.

"America's leading companies are speaking out on issues central to their values, fundamental to business success and rooted in a commitment to enhancing global sustainability," Bross wrote. "Yet it is important that companies continue to fulfill their responsibility to adopt and advance strong corporate governance policies and practices for participation in the political process. These issues speak definitively to the character of a corporation – and its leaders – in the 21st century."

Wharton Roundtable: Broad Company Acceptance of Index

When representatives of five major U.S. companies sat down at the same table with shareholder advocates this month, both sides found common ground. There was broad acceptance of the CPA-Zicklin Index and the standards it sets for transparency and oversight.

CPA convened the Philadelphia session on Sept. 22 in conjunction with the Columbia Law School and the Zicklin Center for Business Ethics Research of the Wharton School at the University of Pennsylvania.

The study benchmarks companies belonging to the S&P 500 for their political spending transparency and oversight policies and practices. On the eve of publishing the seventh annual Index, CPA invited company representatives to give forthright feedback about the Index and the 24 indicators it relies upon.

CPA President Bruce Freed explained in his opening remarks the Index sponsors' long held view that the study must be taken seriously as well as be serious -- and that CPA earlier had pared its number of indicators in response to companies' feedback.

During open discussion that followed, there was consensus that the Index and its indicators reflect key components of constructive oversight and disclosure policies and practices for corporations. (Because the session was convened under Chatham House rules to encourage open discussion, this article will not attribute comments to specific participants, except those affiliated with CPA).

Although company officials were invited to give a candid critique, there were no calls to scrap any of the indicators.

At the same time, several officials agreed that their companies found it hardest to structure compliance with Indicator #6. It asks, "Does the company publicly disclose a list of the amounts and recipients of payments made by trade associations or other tax exempt organizations of which the company is either a member or donor?"

Company officials were overwhelmingly positive in commenting on the Index. They variously said adoption of disclosure and accountability policies can help bring discipline to the process of political spending decision-making; that higher scores can provide a measure of good corporate citizenship; that they can be touted in proceedings before regulators, to bolster a company's credibility; and that disclosure can give a company a competitive advantage against rivals.

"A socially responsible company will do this," one company representative said about political spending disclosure. "Most respectable companies want to be socially responsible." These representatives also reiterated their belief that corporate political spending is a necessary fact of life for businesses competing in the American marketplace today.

A cross-section of businesses was represented at the Roundtable. Representatives included Wesley Bizzell, Assistant General Counsel and Director of Political Law & Ethics Programs, Altria; Peggy Foran, Vice President and Corporate Secretary, Prudential Financial; Bruce Wilson, Deputy General Counsel, Exelon; Arnold Johnson, Senior Vice President, General Counsel and Corporate Secretary, Noble Energy; and Barbara Bonfiglio, Assistant General Counsel, Pfizer Inc.

Investor representatives included Laura Campos, Director, Corporate and Political Accountability, Nathan Cummings Foundation; Patrick Doherty, Director of Corporate Governance at NYS Office of the State Comptroller; Courteney Keatinge, Director, Environmental, Social and Governance Research, Glass Lewis and Co.; Glenn Davis, Director of Research, Council of Institutional Investors; Heidi Welsh, Executive Director of the Sustainable Investments Institute; and Eleanor Bloxham, Founder and Chief Executive Officer of The Value Alliance.

Also participating were Prof. Maria Patterson of New York University's Stern School of Business; Prof. Jennifer Taub of Vermont Law School; Prof. William S. Laufer of The Wharton School, and executive director of the Zicklin Center; Clinical Prof. Lawrence Zicklin of NYU's Stern School, former chairman of Neuberger Berman, and a CPA director; Morris Pearl, a CPA director and former managing director of BlackRock; and journalists Lateshia Beachum of the Center for Public Integrity and Erin Arvelund of the Philadelphia Inquirer.

The Center for Public Integrity

Political Spending's 'Unintended Consequences' Examined

CPA has long warned of unintended consequences when companies spend to influence political elections, especially if they fail to ensure that company goals and the spending impacts are aligned.

Now [an investigative article](#) by the Center for Public Integrity, published jointly with [Mother Jones](#), offers a prime example: political spending that can appear so out of whack with company priorities that experts contend it may hurt company reputations or even revenues.

The topic is climate change. The CPI headline: “These companies support climate action, so why are they funding opposition to it?/A tale of Paris climate agreement supporters, political spending and unintended consequences.” The Mother Jones headline: “These Companies Support the Paris Agreement. They Also Support Climate Deniers./A tale of political spending and unintended consequences.”

Twenty-seven companies including such corporate titans as Google, Bank of America, Coca-Cola, PayPal and Western Union “were among those who sought to preserve the United States’ role in the landmark Paris [climate] agreement ratified by about 160 companies,” the CPI article said, by way of summing up.

“So why exactly would these 27 business powerhouses also support a GOP group that’s fought to *undo* a key Obama-era domestic climate initiative?” The GOP group is the Republican Attorneys General Association (RAGA), which has worked to undermine the Obama administration’s Clean Power Plan.

The lengthy article acknowledges that the answer is “complicated” and that two of the 27 companies pushed back in one way or another against the Clean Power Plan. But it zeroes in on the seeming inconsistency regarding the check-writing of the great majority of the companies, and the potential risks they face.

Campaign finance experts maintained that “[b]ecause these businesses have said climate action is a priority, making political contributions that can work against that goal puts their reputations or even revenues at risk,” according to authors Jamie Smith Hopkins and Rachel Leven.

“I don’t doubt that their public statements about the Paris climate agreement are sincere but it matters that when it actually comes down to how they spend their money, they’re giving to politicians that have almost the exact opposite goal,” Daniel Wiener of the Brennan Center for Justice’s Democracy Program told CPI. “It doesn’t mean that they’re actually lying, but it does lead one to wonder how strong their commitment to fight global warming actually is.”

What’s more, the companies’ giving to RAGA supported a group that made the Clean Power Plan its “Enemy No. 1” and that delivered influence by its position, the article suggested.

“The Republican attorneys general were likely crucial in securing [a] Supreme Court decision to keep the rule from taking effect while a lower court considered its legality because they ‘gave the opposition to the plan a legitimacy it wouldn’t otherwise have had,’” said law professor Daniel Farber of the University of California at Berkeley.

Even if companies divide their political spending between the two major parties, there are concrete policy implications tied to the money they give, CPI quoted another expert as saying.

The article wrapped up by mentioning the experience of Target, which faced boycotts several years ago after giving $150,000 to a super PAC backing a candidate who opposed same-sex marriage, and by quoting CPA’s Freed.

“There are real consequences,” he said, “when there is a disconnect.”

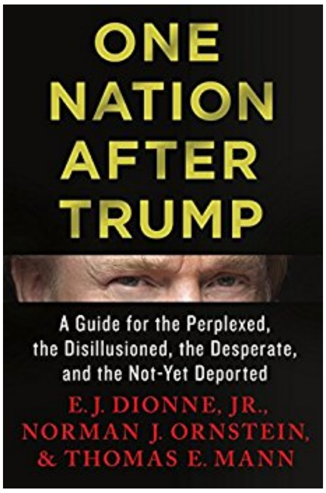
Prof. Robert Jackson, Leading Advocate for Corporate Political Disclosure, Nominated to SEC

President Trump has nominated professor Robert Jackson of Columbia Law School, an architect of a corporate political disclosure petition submitted to the U.S. Securities and Exchange Commission, to serve on that commission.

Jackson is director of the Columbia Law School's Program on Corporate Law and Policy. If confirmed, he would serve on the SEC for the remainder of a five-year term that expires June 5, 2019, according to a White House statement.

Jackson is one of the professors "who spearheaded a campaign, and petition for rulemaking, seeking the disclosure of political contributions by public companies," Compliance Week said in a blog post about the nominee.

The law professor told Compliance Week in a 2013 interview, "What investors are asking for is not to limit political spending, or to prohibit it, but to just understand it." He added, "Indeed, Justice Kennedy in the *Citizens United* decision said we don't have to be worried about corporations spending money on politics because the mechanics of corporate governance will allow investors to check corporate spending on politics."



New Book Gives Big Shout-Out To CPA

CPA won a major shout-out from a new book making the rounds in Washington, written by Washington Post columnist E.J. Dionne, political analyst Norm Ornstein, and Brookings Institution scholar Tom Mann.

Their just-released book, *One Nation After Trump*, examines how to respond to today's challenge to American democracy. In the chapter "Our Little Platoons: The Urgency of a New Civil Society," they write:

"The nature of Trump's Electoral College victory, the role of dark money in funding campaigns, and the challenges to voting rights also invigorated many public interest groups, some long active and some new. Let America Vote, an organization founded by former Missouri Secretary of State Jason Kander, is working to combat voting restriction efforts. The Campaign

Legal Center has been one of the premier forces litigating against voter suppression laws, felon disenfranchisement and discriminatory redistricting. Bruce Freed's Center for Political Accountability has focused on persuading public corporations to disclose their political activities and expenditures in order to monitor the sources of election funds."

CPA in Other News

The [Center for Public Integrity] headline asked, "CEOs scolded Trump after Charlottesville. Will corporations close their checkbooks?" After querying companies, CPI answered, "[N]one would commit to withholding money from Trump going forward."

The article went on to quote Freed of CPA as saying that customers, investors and employees are monitoring whether corporate political spending aligns with stated corporate values. "Companies are becoming much more sensitive about who they are being publicly associated with," Freed told CPI.

DATA COMPILED by CPA was mentioned in a recent Maplight article about a U.S. Chamber of Commerce group of "elite" executives, titled "Nation's Biggest Lobbying Organization Plans 2018 Meeting At Trump-Owned Miami Resort."

"In 2015, individual companies -- including American Express, Aetna, Chevron and Amazon -- gave more than $8 million to the chamber, according to company disclosures compiled by the Center for Political Accountability," the article said.

MapLight produced the article in partnership with the Florida Center for Investigative Reporting.

Vanguard
Vanguard, one of the largest investment management companies, has indicated it will "press companies harder about how climate change affects their business models," according to a PoliticoPro article.

Vanguard stated its intentions at the same time it recently announced the withdrawal by Walden Asset Management, a CPA shareholder partner organization, of a proposal "aimed at getting Vanguard to report on its policies related to climate change," according to PoliticoPro.

Glenn Booraem of Vanguard said in a company press release, "Climate change represents an evolving set of risks and opportunities for companies in many sectors. Vanguard has prioritized climate risk on our engagement agenda, and we have discussed the topic with more companies over the past year than ever before. Our discussions have centered on advocating for disclosure of material risks to companies' long-term business prospects and the value of their assets under a range of forward-looking scenarios. It is crucial to our fund investors that market participants have access to consistently comparable information to incorporate these risks and opportunities into market prices."

Booraem added, "The resolution that we've reached with Walden is evidence of engagement in action. Walden's request also coincided with our plans for more comprehensive reporting on our Investment Stewardship activities; the first iteration of our expanded reporting will be published later this month, coincident with the annual filing of our proxy voting records."

Disclosure in the News

Campaign finance provisions have been inserted into a spending bill under debate in the House of Representatives, and one of the provisions would not allow the Securities and Exchange Commission to "study, develop, propose, finalize, issue, or implement" a rule-making for corporate political disclosure during the U.S. government's next fiscal year, The Wall Street Journal reported**.**

That prohibition is more far-reaching than provided under current law, the newspaper said. CPA has supported a political disclosure rule-making, contending it would better serve companies, shareholders, and our democracy. "Business groups including the U.S. Chamber of Commerce have opposed greater disclosure of political activity," The Journal noted.

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