Spotlight on CPA - April 2018

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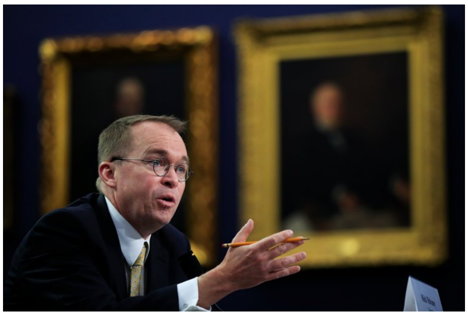
CPA Lays Out Impact of Private Ordering at First Meeting of The Conference Board's Corporate Political Spending Committee

The Center for Political Accountability participated last week in the first meeting of The Conference Board's newly reconstituted committee on corporate political spending. Chaired by Wes Bizzell, senior assistant general counsel at Altria Client Services, the 20-member panel provides a forum for addressing an issue that is recognized as presenting a heightened risk to companies in today's hyper-polarized political environment.

CPA president Bruce Freed spoke about the role of "private ordering" – voluntary adoption of policies by a critical mass of companies – in making political disclosure and accountability the norm and establishing the best practices companies are following. Freed detailed the findings of the 2017 CPA-Zicklin Index, which show a steady adoption of political disclosure and accountability policies by S&P 500 companies.

The Center has worked closely with the Conference Board on corporate political disclosure and accountability for the past decade and co-authored its Handbook on Corporate Political Activity released in late 2010.



Mulvaney’s Bluntness Makes Corporate Caution Even More Critical

Founder’s Column by Bruce Freed

ICYMI, Mick Mulvaney just torpedoed the popular argument that campaign contributions tied to corporations don’t really count, and the public ought to be more closely watching those deep-pocketed donors who write enormous checks to support politicians and like-minded organizations.

Mulvaney blew that argument out of the water. The White House budget director, formerly a congressman from South Carolina, told the American Bankers Association conference in Washington, “We had a hierarchy in my office in Congress.” He went on, “If you’re a lobbyist who never gave us money, I didn’t talk to you. If you’re a lobbyist who gave us money, I might talk to you.”

I’ve been around Washington too long, including several years on Capitol Hill, to profess shock, but I will admit outrage.

Mulvaney’s remarks shape an indictment of corruption. Critics pounced on his statements as abiding or condoning “pay-for-play,” “extortion,” and “a government of the thieves and the money changers.” A Washington Post blog headline declared, “Mulvaney’s remarks show the power of a buck.”

What’s as rotten as the virtual indictment of corruption here is the reality that, given court decisions, the kind of egregious conduct that Mulvaney confessed to probably isn’t criminal. Yet it stinks to its core, and it subverts our government-by-the-people democracy.

What does all of this mean for companies participating in politics?

They must exercise caution if they want to avoid being identified or perceived as parties to corruption. They stand to come in for heightened scrutiny when a former congressman now advising the president (and he is also interim head of the Consumer Financial Protection Bureau) talks about his access-by-campaign-contribution values.

Companies are facing a risk to their reputations if they play Mulvaney’s game – but they can take big steps to mitigate the risk if they adopt policies and procedures for disclosure and accountability of their political spending, as we at the Center for Political Accountability have urged repeatedly.

Companies are showing increasing sensitivity to consumers associating them with controversial remarks or conduct, by pulling advertising from certain brands or media platforms.

My talks with well-informed corporate insiders suggest that smart companies are also considering more carefully the risks of association tied to their political spending. If these companies needed any more reason to proceed with caution, Mulvaney has just delivered it. Explosively.

THE HILL

CPA Warns Companies to Protect Themselves from Impending Political Money Grabs

In an op-ed for The Hill, CPA warned that companies should expect intensified pressure to spend on the 2018 midterm elections, and should take steps to guard against heightened risks.

The op-ed quoted political analyst Frank Wilkinson, who said, “As the partisan struggle for political, cultural and legal supremacy grows even more bitter, political spending is ratcheting up." In the wake of Pennsylvania Democrat Conor Lamb’s recent victory in a House district that Trump won by 20 points, Wilkinson added, “Democrats will open their checkbooks and Republicans will accelerate their dialing for dollars.”

The op-ed cites the immense cost of the Pennsylvania special election—at least $17.8 million—as a warning that the 2018 midterm elections will spur record fundraising, including efforts targeting corporations. Such contributions could create considerable risks for companies, especially when “[t]oday’s 24-hour news cycle and hyper-partisan politics fuel a ‘gotcha’ atmosphere.”

To stave off a possible backlash, the op-ed recommends that companies adopt CPA’s “series of methodical steps…to ensure transparency and accountability of political spending and to mitigate the risks.”

WSJ

Congressional Obstruction of Political Spending Disclosure Rule Won’t Delay the Inevitable, Says CPA's Freed

Although the latest government spending bill bars the Securities and Exchange Commission from mandating corporate political disclosure, wrote Mara Lemos Stein in The Wall Street Journal, “it won’t stop the trend of increased transparency.”

The article cited CPA data showing that “[c]lose to 300 of the S&P 500 companies have implemented some form of disclosure of their spending on political campaigns.” It also noted that ISS Analytics, the proxy advisory service, ranked corporate political spending and lobbying resolutions as “one and two on this year’s top 10 list of proxy topics of discussion.”

CPA president Bruce Freed called the government’s obstruction futile, saying Congress is “telling the political spending disclosure tide not to come in when disclosure is becoming the norm by company action.” Yet even with voluntary disclosure, he said an SEC rule would be helpful in making that disclosure “uniform and universal.”

GreenBiz

BSR: Risks of Misalignment between Corporate Messaging and Political Activity Are Gaining Attention

CPA has warned companies for years that their political spending should align with their publicly stated values and positions, and marketing experts are taking notice.

In a recent column, Business for Social Responsibility Communications and Marketing Manager Elisabeth Best wrote, “publicly traded companies increasingly have taken very public positions on sustainability issues,” but “government affairs [departments] can take policy positions that undermine the sustainability agenda and leave [the] company open to charges of mixed messaging or hypocrisy.”

She said one way to prevent such conflicts “is to ensure that public positions and private approaches (including through trade associations) are consistent." She also said, "The CPA-Zicklin Index…stresses that journalists are increasingly scrutinizing company political spending and how it aligns—or conflicts—with a company's publicly stated values, policies and positions."

Shareholder Season 2018: An Update

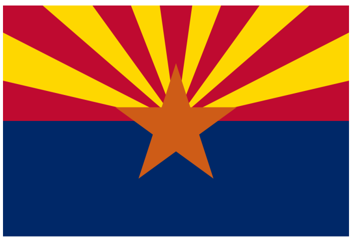
As shareholder season progresses, CPA and its investor partners have had several new victories:

- With the help of filer Clean Yield Asset Management, an agreement was reached with **Alphabet, Inc.** Most notably, the company strengthened its policy prohibiting trade associations and other tax-exempt organizations, including secretive "social welfare" groups, from using its money to fund elections and provided details about how its policy is enforced.
- The SEC rejected a no-action request filed by **NextEra Energy Inc.**, finding that the CPA model resolution does not deal with matters relating to ordinary business operations. This was seen as a major development.
- **Northern Trust Corp.** shareholders delivered a strong vote of 24% in favor of political spending disclosure.

CPA Welcomes Two New Board Members

CPA is pleased to welcome former Federal Election Commission chair Ann Ravel and Emily Tynes, a strategic communications consultant, to its board.

Many thanks to Dan Bross, who will be leaving the board, for his service and dedication.



Arizona Becomes First State to Override Voter Demands for Dark Money Disclosure

Ninety-one percent of Tempe, Arizona, voters approved a ballot measure to require more transparency by dark money groups, but the state immediately banned it.

The city charter amendment would have required nonprofit groups to disclose their donors if they spend more than $1,000 to influence a local election. In response, the Arizona state legislature passed a bill blocking local governments from imposing such transparency requirements. Gov. Doug Ducey signed it, making Tempe the first city to have a dark money disclosure law overridden by its state.

Efforts are underway to put the law on hold until it can be voted upon by all Arizonans in the November midterm election.

Texas Companies Facing Major Pressure to Adopt Transparency and Accountability

Shareholder resolutions at four large Texas companies are targeting secrecy in political involvement with trade associations and nonprofit groups, reports The Dallas Morning News.

Bruce Freed said in the article that companies “have come to accept that political spending poses risks,” adding that disclosure amounts to “shining a light for investors on how corporations spend money with groups who are allowed to mask contributors.”