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CENTER FOR POLITICAL ACCOUNTABILITY

Spotlight on CPA - February 2018

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The New York Times

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Loud Voice from CPA in NY Times, Guardian & Harvard Law School Blog: BlackRock Must Support Political Disclosure

In response to BlackRock CEO Larry Fink's annual letter to CEOs, The New York Times, The Guardian and the Harvard Law School Corporate Governance blog carried a CPA letter, an op-ed and a post, respectively, calling attention to the glaring omission of corporate political spending from Fink's assessment. CPA urged that BlackRock support political disclosure by voting its proxies.

Fink's letter called on companies to view their responsibilities more broadly. "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society," he wrote.

In The New York Times letter to the editor, CPA President Bruce Freed warned about the danger posed by undisclosed money flooding U.S. elections. "Significant amounts of it come from public companies, which wield a mighty power to set the policy agenda in states and Washington," he wrote. "For companies to be held accountable, they must disclose all of their political spending, both direct and through secretive channels, to influence the election of state and federal officeholders."

In the op-ed in The Guardian, Bruce Freed and CPA counsel Karl Sandstrom called "Mr. Fink's declaration… timely. Yet it's fundamentally incomplete. His 'ask' of US CEOs neglects an integral element for companies fulfilling a social purpose."

"It's not an hour too late for Mr. Fink to tweet out a postscript urging companies to adopt transparency and board oversight of political spending," they continued. "It is also time for BlackRock itself to put Mr. Fink's rhetoric into practice on the complementary issue of political transparency and accountability by supporting shareholder resolutions urging companies to adopt those policies."

And in a post in the Harvard Law School Corporate Governance and Financial Regulation blog, Freed and Sandstrom called on BlackRock to vote its proxies for political disclosure resolutions.

"While his call is timely, it must be expanded to include political disclosure and accountability," they wrote. "This key step would help companies ensure that their political spending actually aligns with their social purpose, as Mr. Fink contemplates. It would also be an important step in strengthening risk management. BlackRock could greatly increase the impact of its call by supporting shareholder resolutions urging companies to adopt these policies."

Founder's Column:
In Today's Climate, Companies Need to Ensure Their Political Spending and Values Align

By Bruce Freed

Key recent developments have highlighted how U.S. companies are heightening their sensitivity to political thunderclaps. This change will likely have great implications for political spending by companies as well.

Kenneth C. Frazier, the African American CEO of Merck who quit President Trump's American Manufacturing Council last summer, elaborated on his thinking in an interview with The New York Times. Frazier resigned the post after white nationalist violence in Charlottesville and ensuing remarks by Trump that Frazier judged wholly inadequate for the nation's chief executive.

"It was my view that to not take a stand on this would be viewed as a tacit endorsement of what had happened and what was said," Frazier explained. "I think words have consequences, and I think actions have consequences. I just felt that as a matter of my own personal conscience, I could not remain."

Frazier added, "I wanted to say that this was a statement I was making in terms of my own values, and the company's values, and there was unanimous support or that." He went on, "My board supported that 100 percent."

Next, after a gunman slaughtered 17 individuals in a shooting rampage at a Parkland, Fla., high school, a wave of companies including the First National Bank of Omaha, United and Delta airlines and several car rental companies severed their ties with the National Rifle Association. Some of the companies said they were doing so in response to complaints by consumers.

At the Center for Political Accountability, we spotlighted in November implications of this apparent sea change that's under way, in a commentary entitled, "Company Alert: Your Political Spending May Provoke Adverse Consumer Reaction." In recent weeks we've seen more and more media and experts discussing a keener responsiveness by businesses to the hottest issues of the day.

"Be it guns or global warming, a fascinating trend is unfolding the Trump era: Corporations, under intense social pressure, are filling a void left by governmental gridlock or avoidance," Axios wrote recently.

Axios quoted an unnamed Wall Street executive as opining, "Companies respond to reputational risk aggressively. Activist shareholders, public pressure from customers amplified through social media, and business press all combine to move corporate leadership to engage on issues to protect brands."

In line with the importance of protecting their brands, companies are strongly advised to evaluate when political spending outcomes may not match declared company values.

Merck, for example, can be asked: Are you concerned that racial gerrymandering and attacks on LGBT rights were enacted in several states after Merck funneled more than $600,000 to two national GOP groups in 2010-14, and those groups helped flip several state legislatures and elect Republican governors?

Merck was an early leader on corporate political disclosure and accountability. Yet it may not have fully confronted more recently how, in Mr. Frazier's own words, "actions have consequences."

Strong Opening to 2018 Shareholder Season

As the 2018 shareholder season gets underway, CPA is already logging multiple victories and beating back challenges to its model political disclosure shareholder resolution.

Developments include:

- Agreements with Xcel Energy Inc. and Mattel Inc. for increased disclosure and accountability. This brings the total number of agreements reached with companies to 162.
- SEC rejection of a no-action request filed by Ford Motor Co., ensuring the CPA model political disclosure resolution will be included on the company's 2018 proxy statement.
- A 40 percent vote by Emerson Electric Co. shareholders for the CPA model resolution.

'Unrig the System' Summit Features CPA's Impact

The Center for Political Accountability was featured at the 'Unrig the System' Summit, a three-day gathering in New Orleans in early February that brought together close to 1,500 activists and leaders from reform organizations. The program heard from speakers across the political spectrum about how to deal with the influence of money and special interests in politics.

CPA's Freed spoke at the opening panel on "Corporate Power and Political Money" with Public Citizen Vice President Lisa Gilbert, Democracy Initiative Executive Director Wendy Fields, and Future 500 Vice President Richard Eidlin. While the other panelists focused on congressional, regulatory, and grassroots efforts, Freed talked about the impact of companies on politics and policy making, the threat from “dark money,” and how CPA’s outside-the-political-system strategy has made political transparency and accountability the norm and established best practices that companies are following.

The Washington Post

TrackYourCompany Data Used to Expose Pharma Influence on State Lawmakers

A Washington Post article cited CPA’s TrackYourCompany database to highlight pharmaceutical companies’ efforts to stymie drug price transparency legislation.

The piece, written by Kaiser Health News, also focused on the role of Pharmaceutical Research and Manufacturers of America, the industry’s leading trade association, and its state level political spending to influence legislators against adopting transparency. “Traditionally well represented in statehouses, PhRMA wrote checks to hundreds of legislative candidates and political action committees in dozens of states in 2016, newly available IRS filings show,” it said. “So did many of its member companies, according to new data published by the Center for Political Accountability, a nonprofit that works to shed light on corporate political spending.”

In the News

An update on corporate political disclosure efforts in a February 14th Brennan Center for Justice blog cited 2017 CPA-Zicklin Index findings to spotlight company progress on that front.

Reviewing prospects for a Securities and Exchange Commission disclosure rule, Stetson Law Prof. Ciara Torres-Spelliscy noted, “more than half of the S&P 500 social welfare organizations".

The Center for Public Integrity

Dark Money Update

From time to time there’s a valuable reminder that pulling back the curtain

on dark money in politics is a nonpartisan cause. The latest reminder comes in an article by the Center for Public Integrity.

"Alabama's special U.S. Senate election in December is a case study in the lengths national Democrats, who this year are racing to win back Congress from Republicans, are willing to go to hide their cash in the name of political expediency," the Center reported.

A late-appearing new super PAC called Highway 31 spent an eye-popping $5.1 million in support of Democrat Doug Jones in his race against Republican Roy Moore, and the group, according to CPI, "didn't disclose the identities of its bankrollers until a month after voters chose Jones as their senator. And when Highway 31 did disclose, most of its funders turned out to be organizations who in turn receive some of their funding from sources that are difficult, if not impossible, to comprehensively trace to flesh-and-blood humans."

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