



Spotlight on CPA - June 2016

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CPA Receives Big Backhanded Compliment in New Book

Founder's Column
By Bruce Freed

Confirmation that the Center for Political Accountability is making a real difference arrived recently from an unexpected source, Wall Street Journal editorial board member and columnist Kimberley Strassel.

From a critical column she wrote four years ago, we knew that Strassel thinks CPA and its allies are out to muzzle the free speech of corporations, a notion we soundly reject. Her new book, "The Intimidation Game," indicates how much Strassel apparently worries that CPA's success is eroding mainstream corporate support for secret political spending. It's a big backhanded compliment.

Vilifying CPA and its allies as gangsters bullying spineless corporate executives into surrender, she writes, "Tony Soprano couldn't do it better, and Freed gets results." Strassel grudgingly acknowledges our success, even quoting from the 2015 CPA-Zicklin Index about our accomplishments in getting companies to adopt political disclosure and accountability policies.

In six pages attacking CPA, there are instances of misstatements, name-calling and fact-free invective. She condemns "Freed and his racket" yet fails to cite a single corporate official who contends he or she was intimidated. She calls CPA "left-wing" (whereas we are nonpartisan). She proceeds to quote from the CPA-Zicklin Index foreword yet neglects to mention that its author, our own board member Charles Kolb, was a Reagan-Bush1 political appointee. There's more, too, and we are preparing a fact sheet to correct her misstatements.

We believe in free speech. Strassel has a right to her opinion, with which we vigorously disagree. What's telling is the way it echoes attacks on CPA by the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Business Roundtable.

This latest attack on CPA is further evidence of our sustained impact. We are winning real victories through persuasion on the merits. As a result, business community defenders of secret political spending feel threatened when they see solid, substantive arguments for disclosure continuing to gain momentum.

As proof of changing attitudes, look at a new paper by the RAND Center for Corporate Ethics and Governance, highlighted elsewhere in this newsletter. It addresses "Operations, Compliance, and Accountability in Corporate Political Spending."

The RAND Corporation could hardly be called left-wing, and it's nowhere mentioned in Strassel's index of allegedly bad actors. Yet the RAND Center paper cites thought leaders convened at a roundtable – corporate, investor, academic, and corporate governance – about the growth of corporate political spending (CPS) transparency:

"Particularly of note, it was observed that the widespread adoption of CPS transparency policies is not solely a response to outside pressure for good corporate behavior but also a self-protective response for firms that find themselves compelled to 'swim in a dirty [political] pool without being harmed by it.'"

The paper continues:

"The threshold point of discussion in the [opening] session underlined the fact that CPS disclosure has moved in the last decade from being a fringe issue to a mainstream one. ... Several of the symposium participants suggested reasons for this shift in company behavior, including the increasing interest and attention of shareholders, high-profile episodes of corporate reputational crisis associated with poor CPS decisions, and the increasing external pressures for spending in the wake of the Citizens United decision by the U.S. Supreme Court."

We invite Ms. Strassel to read the Roundtable summary soon.



RAND Center Publishes Report on CPA Co-Sponsored Compliance Roundtable

In February, the Center for Political Accountability opened a groundbreaking new front, collaborating with experts in developing guidance for companies about achieving meaningful compliance in political disclosure. Now a roundtable discussion convened as a first stage of this effort is available to the public in the form of a paper posted online by the RAND Center for Corporate Ethics and Governance.

CPA cosponsored the roundtable with the RAND Center, Columbia Law School, and the Zicklin Center for Business Ethics at The Wharton School. The roundtable was entitled "Operations, Compliance and Accountability in Corporate Political Spending: A Dialog Regarding What, How and Why." Participants included experts from corporations, academia, the legal sector, and shareholder groups.

The introduction to the RAND paper quickly touches on the parameters of the roundtable discussion and key questions addressed:

"As the adoption of political spending disclosure and accountability policies has increasingly become a corporate norm, senior management figures now face a corresponding challenge: how to put in place more effective accountability mechanisms and ensure that employees and executives follow those policies in letter and spirit. Recent, high-profile examples of scandal around corporate political spending (CPS) decisions include Target and Aetna. These examples demonstrate that when company executives ignore CPS risks and neglect CPS disclosure policies, material reputational harm can follow. The examples also demonstrate why compliance to CPS policies and disclosures can be difficult to operationalize and to enforce. ...

"This gap [between companies adopting formal CPS disclosure policies and with compliance programs and mechanisms to support them] invites a series of questions about operations, compliance, ethics, and transparency in political disclosure. What are the components of a strong compliance program or strong operating mechanism to ensure that CPS disclosure policies are more than just a check-the-box exercise? What are some of the practical problems that responsible executives, including compliance and ethics officers and general counsels, have encountered when dealing with corporate political disclosures? How should formal political accountability mechanisms and compliance policies be crafted to reinforce their effectiveness? And how can executives who are responsible for political spending accountability, regardless of their function within management, contribute to the broader public policy goal of achieving greater transparency in corporate political disclosure?"

CPA thanks the RAND Center for compiling this thorough summary of the Roundtable discussion and believes readers will find in it important themes as well as valuable details.

The Philadelphia Inquirer

Philly Inquirer Spotlights CPA-Zicklin Index, Wharton Collaboration

The Philadelphia Inquirer showcased the Center for Political Accountability and its 2015 CPA-Zicklin Index in an article aimed at hometown readers: ["Companies and political contributions: Which gave what to whom?"](#)

The Inquirer noted CPA's partnership in compiling the annual benchmarking index with the Zicklin Center for Business Ethics Research at the Wharton School of the University of Pennsylvania. It spotlighted how the Index can be a valuable resource for companies and for investors.

"For investors, it's a useful tool to evaluate companies' policies and accountability," wrote Inquirer reporter Erin Arvedlund. "For companies, it helps 'assess whether they follow best practices for disclosure and accountability, and the extent to which they demonstrate commitment to these principles,'" her article said, quoting CPA's President Bruce Freed.

The article profiled political activity by "local communications giant Comcast" which "scored high on the CPA-Zicklin Index for transparency and for having a stated policy on political contributions."

It documented large donations by Comcast in 2014 to political organizations nationally and also to candidates in Pennsylvania. The article mentioned regionally based companies with high scores (also including AmerisourceBergen and Hershey) and several with low scores (Lincoln National, PNC Financial Services, and Urban Outfitters).

The Inquirer published a photo of Wall Street's Larry Zicklin, a CPA board member, and noted his funding of the Zicklin Center. "Americans are very upset," he told the newspaper. "They feel they have no part in how government is run – it's all by big checkbooks." The article concluded by further quoting Zicklin:

"I can't change Citizens United," the Supreme Court decision on political donations by companies, "but I can at least make it transparent."

2016 Proxy Season Results Coming Next Month

The Center for Political Accountability will report in next month's newsletter on results of the 2016 proxy season. This will include votes on its model resolution along with the average vote and agreements with companies.

Dark Money and Disclosure in the News

SOARING OUTSIDE SPENDING IN 2016 ELECTIONS: "Outside groups have now spent more than \$400 million to influence elections this cycle," the [Center for Responsive Politics](#) reported, saying the figure "dwarfs the amount spent by this point in the 2012 election." A total of \$37 million of the money spent to influence the election so far this cycle, CRP said, has come from undisclosed sources, including \$14 million in spending by the U.S. Chamber of Commerce.

AT THE STATE AND LOCAL LEVEL, TOO: A new Brennan Center for Justice report, "[Secret Spending in the States](#)," examines a flood of dark money and "gray money" spending outside of Washington. The report says "gray money" is "spending by state super PACs that reported other PACs as donors, making it impossible to identify original donors without sifting through multiple layers of PAC disclosures."

WHAT'S TO BE DONE about dark money? Eric Orts of the Wharton School of the University of Pennsylvania and Jill E. Fisch of the Penn Law School discussed the issue on a [Wharton Business School podcast](#). Orts mentioned the annual CPA-Zicklin Index and said, "On balance, it makes sense to have more disclosure for so-called dark money from business corporations."

S.E.C. DISCLOSURE RULE: "U.S. Senate Democrats unleashed a barrage of criticism at President Barack Obama's hand-picked head of the Securities and Exchange Commission over her refusal to pursue rules that would force corporate donors to disclose political contributions," [Financial Advisor Magazine](#) reported in mid-June.

GLASS LEWIS, a leading proxy advisory service, reiterated its support for corporate political disclosure. "Glass Lewis believes that a thoughtful disclosure and oversight policy regarding a company's political contributions, developed and overseen by the board, is an important component of corporate accountability," the company said in a lengthy paper.

AND, IN AUSTRALIA, [ABC Radio](#) featured a study by the Australasian Centre for Corporate Responsibility (ACCR) in a news report sub-headlined, "Want to know who's funding this campaign? Australian laws are so lax, the full list of political donors and what they've spent won't be known until 2018. Meanwhile, dozens of big companies are falling well below international best practice for transparency." ACCR modeled its study on the CPA-Zicklin Index.

CPA Briefs

INDEX UPDATE: CPA is the midst of collecting data for the 2016 CPA-Zicklin Index of Corporate Political Disclosure and Accountability. During this stage, a number of companies have contacted CPA regarding their inclusion in the upcoming Index. CPA encourages other companies to contact its staff with questions or concerns.

INTERNATIONAL INTEREST: A group of French law students focusing on the study of ethics and compliance met with CPA leaders in early June to learn about corporate governance and political disclosure and accountability trends in the United States. Their teacher at the Universite de Cergy Pointoise School of Law had heard about CPA's work when she attended a session of The Conference Board Global Business Conduct Council.

Corporate Political Spending News

Regarding Pinnacle West Capital Corporation, the [Phoenix New Times](#) reported, "APS Parent Company Gives \$10K to Anti-Legalization Campaign, Consumer Advocates Cry Foul."

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