CENTER FOR POLITICAL ACCOUNTABILITY

Spotlight on CPA - June 2018

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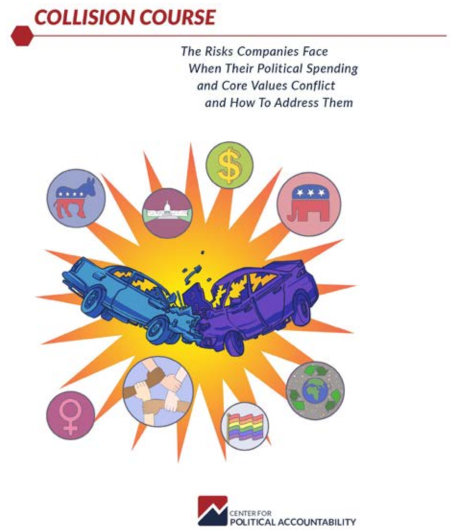


CPA's Collision Course Report Unveiled to Key Corporate Group

Before a standing room only audience at the Society of Corporate Governance, CPA unveiled on June 22 a report showing that risk escalates sharply when companies spend money to influence elections in today's polarized political environment.

"Some of this spending is like a ticking time bomb" that can ultimately cause damage for a company, CPA President Bruce Freed said in remarks to nearly 80 people attending the group's national conference in Washington.

Panel moderator Margaret M. Foran of Prudential Financial, Inc. praised the report, calling it "fabulous" and "timely." Foran is Prudential's Chief Governance Officer, Senior Vice President and Corporate Secretary.

Foran urged business leaders to "use every opportunity you can" to become acquainted with Freed and with another panelist, Patrick Doherty, Director of Corporate Governance for the New York State Office of the State Comptroller. Prudential has adopted a number of disclosure and accountability policies advocated by CPA, Foran said, and since then, has continued to avoid risk, winning recognition as a corporate leader in the process.

The report is entitled "Collision Course: The Risks Companies Face When Their Political Spending and Core Values Conflict, and How To Address Them." Its release launched a new CPA educational initiative, to be followed by events reaching out to corporate and academic communities, among others. The report states:

"At the intersection of business and politics in America, a new era has dawned, bringing hyper-charged, partisan and passionate division over political and social issues to the fore. The warp-like speed of digital news and social media inflames passions. In this fraught climate, and ahead of this fall's mid-term elections, corporations are in the crosshairs."

"Companies that spend to influence elections are at a tipping point. In today's highly volatile environment, corporations are vulnerable to serious risk if political contributions or their outcomes, or both, are perceived to be at odds with their core values. This can affect a company's relationship with customers, employees and communities in which it is located."

Dow Jones newswires alerted its institutional customers to the report's rollout. The Conference Board, the nation's leading business research organization, published a blog post that was headlined, "Corporate Political Spending Initiative launched by Center for Political Accountability."

Freed, participating on the panel for the Society for Corporate Governance, gave two high-profile examples of political spending that backfired and brought companies adverse publicity. The more recent one involved protests against Publix Super Markets, Inc. (see May 2018 CPA newsletter), and the earlier one involved protests over a restrictive bathroom law in North Carolina. Companies need to take a broader and longer-term view of the risks posed by their political spending today, Freed urged.

The Society of Corporate Governance describes itself as made up chiefly of corporate secretaries and business executives in governance, ethics and compliance functions at public, private, and not-for-profit institutions. Also speaking on the panel was Ed Ingle, General Manager, Government Affairs for Microsoft Corporation.

Pensions&Investments

Pension and Investments Headline Says It All: "Corporate political disclosure moves firmly into mainstream"

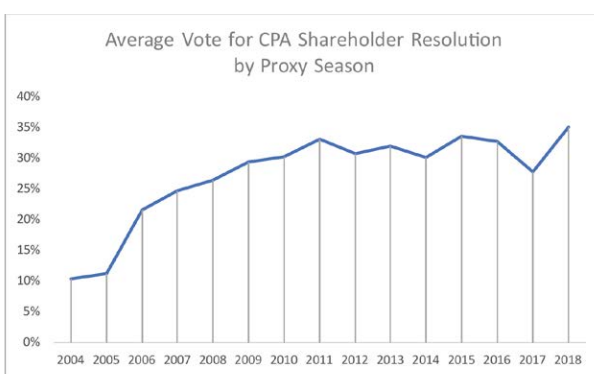
A respected daily newsletter for the pension, portfolio and investment management trade declared this month what CPA has contended for some time. “Corporate political disclosure moves firmly into mainstream,” stated the headline for the Pensions & Investments newsletter.

The article by Brian Croce drew on data as recent as the 2018 proxy season (see article above) and interviews with experts to conclude, “Shareholders — including institutional investors — are succeeding this year in pushing to get more information from companies on their political contributions and lobbying costs.”

"Political disclosure and accountability is now seen as the norm," CPA’s Freed told Pensions & Investments. "It's something that companies are expected to do."

Advocates for political spending disclosure can count a valuable ally in new Securities and Exchange Commissioner Robert Jackson Jr., P&I reported. This month, Jackson told a conference, "my job is to help investors get the information they need about the companies they own."

Also quoted was Amy Borrus, Deputy Director for the Council of Institutional Investors. If a company spends shareholder money on political activities, "there should be appropriate board oversight and transparency to ensure that the political spending is consistent with long-term shareowner interests," she said.



2018 Shareholder Season Results: Surge in Support for CPA Model Resolution

The average vote for CPA’s political disclosure resolution topped 35%, a

jump of more than five percentage points from last year's average. The resolution also was among the top vote-getters for social resolutions. The final votes are listed here.

"The strong showing shows how concerned investors are about the risks posed by political spending in the current hyper-polarized political environment," said CPA president Bruce Freed. "The also send a strong message to institutional investors that political disclosure and accountability is essential to protect companies, and investments, in today's risky environment."

The pattern of support seen in the chart above shows that support for company adoption of political disclosure policies remains strong among a range of shareholders, retail as well as institutional.

For anyone who may be interested in filing the CPA model resolution, an information packet about the resolution and about company disclosure of election-related spending is available by clicking here.

Montana Governor Issues Corporate Political Spending Transparency Order

Montana Gov. Steve Bullock issued earlier this month an Executive Order requiring political transparency for government contractors. The order mandates disclosure of direct and indirect contributions from companies that bid to sell at least $25,000 of goods and services to the state and have spent over $2,500 to influence state elections in the past two years.

The governor called the order one that will "shine a spotlight on the direct treasury spending in elections that Citizens United released…" He said, "If we know one thing about spending in elections, it's that big companies don't spend out of the generosity of their big corporate hearts. They spend to get something once the campaign is over. Yet most states aren't capturing all the ways that money flow into our elections, and election laws typically fall silent after the ballots are cast.

"Enacting these protections is essential to protecting the integrity of our government. It is essential to protecting the public's right to know and participate in government," he added. "And it is essential to restoring the trust and faith in government." The governor's full remarks can be viewed here.

Newspaper Uses AT&T Scandal To Highlight Shareholder Demands for Political Transparency and Accountability

The scandal surrounding AT&T's payments to President Trump's personal lawyer Michael Cohen highlighted shareholder efforts to achieve disclosure of company politically-related payments to trade associations and tax-exempt groups, reported the Dallas Morning News.

As the article pointed out, "Long before Dallas-based AT&T found itself in the crosshairs for hiring President Donald Trump's personal attorney Michael Cohen, some of the telecom giant's shareholders sent up a warning: Secrecy surrounding how it spends money in Washington could put the company's reputation at risk." Nonetheless, "AT&T does not share the names of trade groups and tax-exempt groups that receive its money, aside from a few industry associations that it lists in its annual report."

The CPA-Zicklin Index was cited, highlighting the fact that over 20% of the S&P 500 now disclose their payments to trade associations, and about 15% have begun disclosing their payments to secretive 501(c)(4) groups. The article quoted CPA vice president Nanya Springer who said that this sort of disclosure was once "something [companies] didn't think about. But nowadays, you can't say keeping this secret is a common practice or a best practice. There is clearly a move toward transparency."

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