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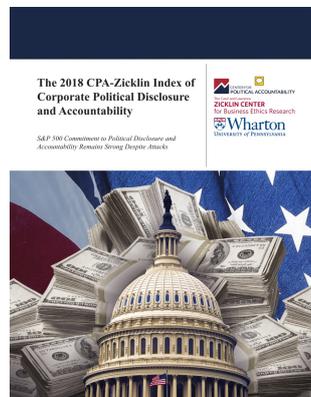
CENTER FOR POLITICAL ACCOUNTABILITY

Spotlight on CPA - October 2018

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2018 CPA-Zicklin Index: Corporate Political Disclosure, Accountability Hold Steady Despite Political Attacks

Despite headwinds, corporate political disclosure and accountability are holding steady, the [2018 CPA-Zicklin Index](#) shows. It is the first study to examine these policies and practices of the S&P 500 during an entire year of the Trump administration and a Republican majority Congress. Its highlights:

Most transparency: Fifty-seven companies received the highest scores for political disclosure and accountability of 90 percent or above, up from 50 in 2017 and more than double the 28 companies identified in 2015.

Top tiers for sunlight There were more S&P 500 companies that scored in the first and second tiers (with scores from 100 percent to 60 percent), a total of 196 compared to 174 in 2015.

Improvement over time: The average overall score for 414 companies constantly belonging to the S&P 500 since 2015 has continued to edge up, from 41.6 in 2015 to 49.7 in 2018.

THE WALL STREET JOURNAL.

National Media, Led by Wall Street Journal, Interpret and Spotlight 2018 Index

The Wall Street Journal once again gave the annual CPA-Zicklin Index full coverage, an important boost for alerting investors and companies to the benchmarking study and enforcing its credibility. Also spotlighting and interpreting the study for a national audience were other mainstream outlets.

“The biggest publicly traded companies are increasingly limiting their spending on elections and other political activity,” [the Journal](#) reported about the Index. “The report is the fourth annual analysis of political-spending policies at S&P 500 companies from the Center for Political Accountability, a nonprofit organization in Washington, D.C., that advocates better disclosure of corporate political activity.”

Reported [NPR’s Marketplace](#), “S&P 500 companies make fewer election-related donations, survey shows.” Marketplace delved further, adding, “[T]hose S&P 500 companies that are still making political donations are moving toward more transparency. Changing political winds and growing publicity risks have created a climate in which major corporations are finding it’s safer to cut direct political ties. But with valuable interests and influence to protect, corporations are still impacting political outcomes in other ways.”

Said [The Guardian](#), “Number of US companies disclosing political donations reaches new high.” [Axios](#) similarly concluded, “More companies are disclosing how much they spend on influencing politics.” More reporting on the Index still was under way at press time.

The Philadelphia Inquirer *The Star-Ledger*
Richmond Times-Dispatch **THE ROANOKE TIMES**

From Regional News Media, Individual Companies Get Shout-Outs or Slights

CPA has long urged companies to consider the ultimate impact of positive or negative media coverage about their political transparency scores. Recent coverage at the regional news media level shows why.

[At Philly.com](#), a Philadelphia Inquirer headline declared, “How Navient, J&J and Merck are more open about political spending while FMC lags, Wharton group finds.” (CPA’s co-author of the annual report, the Zicklin Center for Business Ethics Research, is housed at The Wharton School.) Navient, J&J and Merck received 2018 Index scores of 90 percent or better. FMC was included in an Index list of companies whose scores decreased by 10 points or more.

A [Newark Star Ledger](#) headline asked, “Could corporations be making secret contributions in Trump midterms?” The accompanying article mentioned Becton, Dickinson, and Co., with an Index score of 100; and Merck & Co., 90; Celgene Corp., 91.4; Johnson & Johnson, 90; and Prudential Financial, 90.

In Virginia, editorials in both [The Richmond Times-Dispatch](#) and [The Roanoke Times](#) complimented Dominion for its Index score of 91.4. The public utility has come under criticism for its political spending. The Times-Dispatch editorial went further to note the “Trendsetter” status (top 10 percent score) of Altria and Capital One, and called it “a good sign for Virginia business.”

Blogs and Trade Publications Deliver Index Ratings to Key Professional and Academic Audiences

Beyond the general press, CPA focused on getting the Index’s findings to corporate legal departments, major law firms, public relations professionals and management and directors. Here’s a sample of the articles and postings.

The [Harvard Law School Forum on Corporate Governance and Financial Regulation](#) carried a succinct three-page summary of the Index that highlighted sustained company support for political disclosure and accountability despite attacks from “some elements in Congress and a leading business trade association. Indeed,” the post continued, “the number of leading publicly held companies disclosing or restricting their spending and adopting board oversight continues to increase.”

CPA’s post in the [Institute for Public Relations Research Letter](#) emphasized that “companies are seeing [political disclosure and accountability] as important for protecting, even burnishing, their reputation in today’s hyper-polarized environment.” It pointed to Dominion Energy as an example of a company seeking a reputational boost from its Index score. The Virginia-based utility has come under criticism in the state for its heavy political spending.

The [Conference Board Governance Center blog](#) keyed in on continued company adoption of political disclosure and accountability policies despite today’s political uncertainty. The chair of the board’s Committee on Corporate Political Spending, Wesley D. Bizzell, said “The results from the latest CPA-Zicklin Index show that a substantial portion of the S&P 500 are committed to being transparent about their corporate political activities, which is terrific news for corporate leaders, investors, and anyone interested in good government.”

[Corporate Counsel](#) headlined its story: “Despite pressures, major companies continue to disclose or prohibit political spending.” The article went on to highlight the changed nature of risk that companies face, writing “What general counsel should take away from the study, Freed said, is that ‘there is a need for a broader understanding and definition of risk. Political contributions have consequences, and pose very significant risks for companies reputationally and business-wise.’”



In A First, CPA-Zicklin Index Used to Create New Investment Vehicle

A San Francisco-based investment advisor is using the findings of the CPA-Zicklin Index to create the first customized investment portfolio of companies that have adopted political disclosure and accountability. OpenInvest, which calls itself “the first digital investment advisor for socially responsible investing,” announced the new vehicle on October 30.

OpenInvest’s cause-based investment screens allow investors to customize their holdings to align with their personal values and issue positions.

“We’re excited to work with OpenInvest to help encourage corporate political disclosure and accountability,” said Bruce Freed, president, Center for Political Accountability. “Since its founding 15 years ago, CPA has made political transparency and accountability the norm. The Index, now in its eighth year, has found more companies committing to transparent political spending. OpenInvest is building on this change by allowing people to earn returns on their financial assets built on this very concept of transparency.”

CPA looks forward to continuing to work with OpenInvest in integrating its research with impact investing. Learn more about OpenInvest and its Divest from Dark Money screen [here](#).

Business’ Role in Mid-Term Elections Examined at Baruch College Program



CPA's Freed (second from left) participated in a panel on October 3 at Baruch College's Zicklin School of Business on the role of business in the mid-term elections. Other participants were (from left to right) Prof. David Rosenberg, moderator and director of the Robert Zicklin Center for Corporate Integrity; Paul Roth, founding partner at Schulte, Roth & Zabel; and Bloomberg View columnist Francis Wilkinson.

Study: Political Disclosure Influences Investment Decisions

Political disclosure affects investor decisions to buy a company's stock. That's the finding of Jordan Bable, an assistant professor of accounting at the University of Waterloo. In an experiment he created for his [University of Pittsburgh Ph.D. dissertation](#), Bable reported "that investors whose political identities are aligned with a company's political spending assess the company as more attractive and invest more in the company than investors whose political identities are misaligned with the political spending.

"These findings," he added, "have implications for regulators because, contrary to the argument that political spending information is irrelevant to investors, my results suggest that investors consciously use political spending information in their investment decisions."

CPA Promotes

CPA is pleased to announce the promotion of Caitlin Moniz, assistant director, to a new position of research director.



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