CENTER FOR POLITICAL ACCOUNTABILITY

# Spotlight on CPA - March 2018

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## Acting Now Can Protect Companies from Political

# Money Grab

Founder's column by Bruce Freed

**It doesn't take a crystal ball to tell the implications of Democrat Conor Lamb's special election victory this month for congressional races in November: Corporations, expect a hyper-charged grab for your political money.**

"As the partisan struggle for political, cultural and legal supremacy grows even more bitter, political spending is ratcheting up," observed political analyst Francis Wilkinson in Bloomberg View. Given Lamb's narrow victory over Republican Rick Saccone in a Pennsylvania district that supported Donald Trump by nearly 20 points, Wilkinson wrote, Democrats will open their checkbooks and Republicans will accelerate their dialing for dollars.

"Republicans, alarmed by a potentially disastrous cascade – loss of control of the House followed by two years of public hearings into Trump's malfeasance followed by more electoral trouble – will call on corporate benefactors and wealthy donors to increase funding to stave off defeat."

At last count the special election in Pennsylvania cost at least $17.8 million, according to Axios. Lamb raised $3.9 million and Saccone raised $600,000 in direct contributions; outside groups spent $2.6 million in support of Lamb and $10.7 million in support of Saccone.

Looking ahead to November, Wilkinson noted, "Crazy money is indicative of crazy stakes," and furthermore, "Fear and loathing should lead to record fundraising." It's likely that corporations will be asked to shell out in support of Democrats too in this sky's-the-limit election. Lamb's success raises the question, according to Wilkinson, of "whether corporate funders, who just benefited from an enormous GOP tax cut, will begin to hedge their 2018 bets by spreading money to more House Democratic candidates."

In the end, increasing pressure on corporations for donations to big-spending outside groups is a recipe for increased risk, especially in today's volatile political climate.

Will a company be on the receiving end of an angry tweet from the nation's chief executive?

Will a donation support a candidate who ultimately goes off the rails in the heat of the campaign and brings blowback or worse for the donor and its brand?

Or will a third-party group spend a company's donation in a way that clashes with the company's core values – and how would the company weather media accusations of hypocrisy?

The sensitivities may be heightened when corporations spend political "dark money," whose source is hidden because some recipient groups are not required to disclose. Today's 24-hour news cycle and hyper-partisan politics fuel a "gotcha" atmosphere. It can quickly turn a leak about dark money into a bad-news gusher.

At the Center for Political Accountability, we've advocated a series of methodical steps that companies can adopt voluntarily to ensure transparency and accountability of political spending and to mitigate the risks. In such a high-stakes election, these steps matter more than ever. As our board member and retired Microsoft executive Daniel T. Bross acknowledged in a foreword to the latest CPA-Zicklin Index of Corporate Political Disclosure and Accountability:

"America's leading companies are speaking out on issues central to their values, fundamental to business success, and rooted in a commitment to enhancing global sustainability. Yet it is important that companies continue to fulfill their responsibility to adopt and advance strong corporate governance policies and practices for participation in the political process. These issues speak definitely to the character of a corporation – and its leaders – in the 21st century."

## CPA Featured on Investor Relations' Ticker Podcast

**CPA president Bruce Freed joined IR Magazine's The Ticker Podcast to discuss how companies are voluntarily disclosing their political spending information in the absence of government regulation and the risks posed by such spending**.

The podcast followed CPA's Guardian op-ed and Harvard Law School Corporate Governance blog post calling on BlackRock, the world's largest institutional investor, to act on its call for companies to take a societal outlook by voting its proxies for corporate political disclosure and accountability.

"We've made political disclosure and accountability the norm for companies," said Freed. While acknowledging that it is a long-term effort and companies still have room to improve, he said, "The companies that have not adopted political disclosure and accountability are seen as outliers today." Freed added that the next step "is to make disclosure and accountability uniform and universal and then to deal with the risks that companies face from their political spending."

In particular, Freed noted that reputational, business and legal risks "have been heightened…over the past year or so by the hyperpolarized political atmosphere" in the United States. Many companies have recently faced backlash over their advertising associations, he said, and now corporations are worried that "the risks of association also apply to political spending." The full discussion can be heard here beginning at the 14 minute mark.

## 2018 Proxy Preview Highlights Political Disclosure Initiatives

**CPA's work was once again highlighted in Proxy Preview, an annual publication that tracks trends in environmental, social and governance shareholder proposals.**

This year's article included updates about the CPA model resolution, which has been refined to better withstand challenges at the Securities and Exchange

Commission, key findings from the 2017 CPA-Zicklin Index, information about filings for the 2018 shareholder season, and a note about CPA's role in advancing private ordering in campaign finance. The article also highlighted CPA's newest project, TrackYourCompany.org.

Proxy Preview 2018 can be downloaded here.

THE WALL STREET JOURNAL.

## Wall Street Journal Highlights CPA in SEC Rider Coverage

**A Wall Street Journal article quoted CPA regarding a provision in the latest federal government spending bill that would block the SEC from requiring public companies to disclose their political spending.**

Congress is "telling the political spending disclosure tide not to come in when disclosure is becoming the norm by company action," said CPA's Freed. The article noted that 300 S&P 500 companies already practice some form of disclosure, and political contribution disclosure resolutions are ranked first by ISS Analytics in this year's top 10 list of proxy topics.

Even with companies disclosing on their own, Freed said that an SEC rule would be desirable. He explained, "An SEC rule is needed to make corporate political disclosure uniform and universal. It's only a matter of time before that happens."

INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

Ceres
Sustainability is the bottom line.

## CPA Engages with Socially Responsible Investors

**CPA staff participated in meetings with shareholder activists and socially responsible investors at the 2018 Spring Interfaith Center for Corporate Responsibility Conference and Ceres' spring climate change meeting with investors.**

In New York, CPA vice president of programs Nanya Springer updated ICCR's members about the CPA model resolution and the 2018 shareholder season. Among the topics discussed were the results of the 2017 Index, the results of recent shareholder votes on the CPA resolution, and the heightened risks faced by companies in the current political environment.

Freed discussed the intersection of electoral spending and sustainability with members of Ceres, an organization that works with influential investors and companies to promote sustainability in corporate operations.