

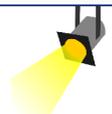
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February 2015 Spotlight on CPA



Special 2nd Corporate Political Accountability Roundtable Edition



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Update: Political Disclosure Nears 140 Companies

Four new companies have adopted the Center for Political Accountability's model disclosure resolution in the last month, bringing to eight the number of agreements reached as the 2015 proxy season opens.

With the latest withdrawals, the total number of public companies accepting the resolution has hit 138. "This is one of the strongest openings of a new proxy season," said CPA president Bruce Freed. "It demonstrates increasing corporate support for political disclosure and accountability."

CPA's shareholder partners launched the proxy season by negotiating the agreements on corporate political disclosure and accountability policies. They were reached with Eastman Chemical Co., a global company; H & R Block, a tax preparation company; McGraw Hill Financial, Inc., a financial information and analytics company; and Thermo Fisher Scientific, a biotechnology product development company.

The New York State Common Retirement Fund agreed to withdraw its shareholder resolution after Eastman Chemical elected to adopt transparency and accountability policies. New York State agreed to withdraw its resolution at H & R Block, and Clean Yield Asset Management was behind the agreement with McGraw Hill Financial and Thermo Fisher Scientific.

CPA began advocating more than a decade ago, with shareholder partner groups, for corporations to voluntarily disclose their political spending.

A Scholar of Money and Politics Is New CPA Associate Director



Roundtable business panel (l to r): moderator Karl Sandstrom, Microsoft's Dan Bross, Prudential's Peggy Foran and Noble Energy's Arne Johnson

3 Business Leaders Speak About Transparency's Importance at CPA Co-Sponsored Roundtable

Representatives of three major U.S. companies, including two industry giants, affirmed at a business-academic Roundtable their embrace of political transparency as a key element of sound corporate governance.

Dan Bross, Microsoft's Senior Director for Corporate Citizenship, Peggy Foran, Chief Governance Officer and Corporate Secretary for Prudential Financial, Inc., and Arnold J. Johnson, Senior Vice President, General Counsel and Corporate Secretary for Noble Energy spoke at the late February Roundtable at New York University's Stern School of Business.

The two-day session addressed "The Importance of Educating Future Business Leaders Beyond *Citizens United*." Joining the Center for Political Accountability in co-sponsoring the Roundtable were NYU's Stern School; the Zicklin Center for Business Ethics Research, part of The Wharton School at the University of Pennsylvania; and Baruch College's Zicklin School of Business.

"In order to be a successful company and compete in the global marketplace, and to return value to our shareholders, we very firmly believe companies have to participate in the political process," said Microsoft's Bross. Determining how it does so comes down to corporate governance, he said, defining both guidelines and practices "and how are we going to hold ourselves accountable for those policies and practices."

Outlining a multifaceted political engagement program, Bross said, "We are trying to do as good a job as we can at being transparent and open because we believe all of you and anyone who comes to our website, or an investor at Microsoft, should have access to this information."

The company is required to file certain information with state and federal bodies, he said, "[S]o why shouldn't we make this information available? I am personally challenged to understand where some companies are coming from when they just have a real visceral reaction to disclosing the information that they are required to file publicly."

Prudential's Foran described a company where corporate governance involves both a long-term and broad view. "The long term is very important for us. And how we are viewed by our employees, and how we're viewed by our community, and how we're viewed by our shareholders is critical to us," Foran said. "I think it really does come to transparency and oversight."

"While I am a lawyer, I have to admit to you I don't believe that the major goal is maximizing profits for the short term," Foran noted. "I really believe that you have to look at that in the lens of all stakeholders, you have to look at it in the very, very long-term lens."

Noble Energy's Johnson declared at the outset, "For companies like us, having high business ethics is also a competitive advantage." In this context



'Executive Statesmanship' Class Unveiled at NYU's Stern Business School

An ambitious new business school course on corporate political engagement and executive statesmanship was unveiled at the business-academic Roundtable. The course drew praise for addressing corporate political responsibility in a deregulated post-*Citizens United* world.

Professors Bruce S. Buchanan and Maria Patterson of New York University's Stern School of Business shared the goals and syllabus of their Spring 2015 course before an audience of educators, business leaders and other experts.

"The purpose of this course is to explore the political tools that the American legal system has put in the hands of the executive, with serious consideration given to their appropriate use," a course guide explained.

"The goal of the course is to build on these tools to sketch out a model of *executive statesmanship*, designed to guide corporations to more effective political engagement by balancing the unavoidable tensions between shareholder returns and stakeholder outcomes," it said.

"We've got our sails up; we've got a course going," Buchanan told the Roundtable. If another forum is held two years hence, he said he'd like to think that perhaps half a dozen such courses will be offered then at different business schools, and a website may be developed for sharing syllabi, course notes, and tips for success.

Among those underscoring the need to educate future business leaders for a political landscape transformed by *Citizens United*, which allowed unlimited corporate spending on elections, was Lawrence Zicklin. He is retired CEO and Chairman of Neuberger Berman, a Stern School professor and CPA board member.

"The power of the corporation in this world is enormous, and becoming more powerful," Zicklin said. Referring to vast corporate wealth and continuing refusal by many companies to disclose political spending, he said, "When you have that much money, that much power, that

Dr. Marian Currinder, formerly a Senior Fellow at Georgetown University's Government Affairs Institute, has joined CPA as its new associate director.

She joined GAI in 2006. Before that she was an assistant professor of American Politics at the College of Charleston. Dr. Currinder was an American Political Science Association Congressional Fellow in 2003-04.

Her writing includes "Money in the House: campaign funds and congressional party politics," published in 2009 by Westview Press.

"We are pleased that Dr. Currinder has joined CPA," said Bruce Freed, the Center's president. "She brings a background of scholarly analysis and research, and in-depth knowledge of money in congressional politics."

N.Y. Times Publishes Letter About Transparency By CPA

The New York Times

A move by leading public companies to stand up for transparency and accountability marks a breakthrough and "brings sunshine at a time of government gridlock," CPA President Bruce Freed declared in a [letter to the editor](#) of the New York Times.

The Feb. 2 letter commented on a Times editorial that had deplored political "dark money" threatening our democracy and that took Congress and government agencies to task over their inaction.

The letter alluded to action by more than 130 companies in recent years to allow sunlight on their political spending by adopting a model disclosure resolution developed by CPA. It also mentioned progress toward corporate political spending transparency documented by the [2014 CPA-Zicklin Index](#).

[having] high business ethics is also a competitive advantage. In this context, he continued, corporate governance "goes not only to the integrity of your process and what you're trying to do but I think it's a nice check and balance within your corporation."

He has realized in recent years, Johnson said, "We're at the point in the corporate world where I think transparency is critical, but it needs to be good and understandable transparency." Noble Energy adopted its current disclosure policies after it was presented with a shareholder resolution, and Johnson met in Washington with the Center for Political Accountability.

"To me," Johnson said, "it was just an energizing conversation to realize, why wouldn't this make sense? Why wouldn't good disclosure in so many areas make sense? Our board fully embraced it."

The business leaders were asked whether they like the idea of a Securities and Exchange Commission rule requiring corporate political disclosure.

Johnson said that on one hand, companies currently making such a disclosure would lose what he considers a competitive advantage if "everybody's doing it" because of a SEC rule. On the other hand, he said, "The one benefit I see sometimes to the regulatory side is at least you have some consistency in what is being sought and what is being required."

Noble Energy was one of two companies that tied for the highest ranking in the 2014 CPA-Zicklin Index of Corporate Political Accountability and Disclosure, with 97.1 points. Microsoft received 92.9 points and Prudential Financial, 88.6 points.

ICYMI: Fiscal Times Invites, Publishes CPA Analysis on 'Dark Money'

THE FISCAL TIMES

For Fiscal Times, a digital news and opinion service, the Center for Political Accountability's leaders wrote a lengthy analysis entitled "[How Dark Money is Distorting Politics and Undermining Democracy](#)." It was published on Feb. 23 as part of an online book, "America's 21st Century Challenge/Restoring Confidence in Government: 9 Bold Solutions."

The article by CPA President Bruce Freed and Counsel Karl Sandstrom asserts that "Today, corporations are leading underwriters of Washington politics and the dominant force shaping its policy-making," and then goes on to examine the resulting risks and challenges and ways to address them:

"[A] large swath of political spending has gone underground. When 'dark money' surges and corporate *sub rosa* influence grows, how can corporate executives, shareholders, citizens and decision-makers best address the resulting risks and challenges? We believe our democracy works best when companies pressing to advocate their interests can compete on a level playing field and when 'dark money' is brought into the sunlight."

The article prominently mentions an increasing number of public U.S. companies accepting transparency as a standard of good corporate governance. It also discusses disclosure legislation before Congress and a proposed corporate political spending disclosure rule before the U.S. Securities and Exchange Commission.

Fiscal Times solicited CPA's analysis. The Fiscal Times is owned and funded by Peter G. Peterson, a cofounder of the Blackstone Group and a former U.S. Commerce Secretary. Its Advisory Committee includes Robert D. Reischauer, President of the Urban Institute; Drew Altman, President and CEO of the Henry J. Kaiser Family Foundation; Jim Brady, President, Digital Strategy, Allbritton Communications; Jodie T. Allen, senior editor of the Pew Research Center; and G. William Hoagland, CIGNA Corporation's Public Policy Group director.

have that much money, that much power, that much secrecy, it's a dangerous situation."

"It's fantastic this course is being offered," said Ann K. Buchholtz, a Rutgers Business School professor. "I love that we're teaching students to be politically engaged, but we need to give them a vision of what business can and should be," she added. "Otherwise, they get out and they think, I've maximized shareholder wealth and I've done my job."

Constance Bagley, senior research scholar at Yale Law School and formerly a professor at the Yale School of Management, said the course's focus should include the board of directors "where policy is set. The board has a responsibility to the entire firm and is empowered to look at the effects of all decisions."

For Columbia Law School Professor Robert J. Jackson Jr., a former investment banker, such a course might better serve as part of a business school's core curriculum than as an elective, because students choosing to take an elective may need it the least.

Nien-He Hsieh of Harvard Business School suggested that before talking about responsible corporate political engagement, it would be valuable to "enrich the discussion" of the purpose of the corporation in American business.

Zephyr Teachout Addresses Corruption in America



Experts from varying occupations, holding a diversity of viewpoints, brought their insights and opinions to the Second Corporate Political Accountability Roundtable.

Among them was Zephyr Teachout, a Fordham law professor and unsuccessful candidate for the Democratic nomination for New York governor in 2014. She also is the author of a new book entitled "Corruption in America."

Teachout said that given court and industry trends, corporate leaders find themselves in "almost an ethically untenable situation." Concentration of industry has increased greatly, with companies taking on a more quasi-governmental role in America, and at the same time the Supreme Court has narrowed the legal definition of what constitutes corruption, she said.

Given this "combination of concentration, and all the anti-corruption efforts being struck down by the court," Teachout said, "we put business leaders in almost an ethically untenable situation, so ethically untenable they may not be able to process it." She backed reforms, such as public financing of elections, to reduce conflicts facing business.

Identifying the historical antecedents of

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modern-day political engagement by U.S. corporations was John Milton Cooper Jr., an emeritus professor of history at the University of Wisconsin-Madison and CPA board chairman.

Sheila Krumholz, executive director of the Center for Responsive Politics, said that since *Citizens United*, "The rules and the money have changed the course of how electoral battles and even policy battles will be waged, possibly for a very long time."

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