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Spotlight on CPA

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The New York Times

New York Times Spotlights CPA Success in Advancing Corporate Political Disclosure

For **several years**, CPA has said that leading American businesses are making voluntary disclosure of political spending a mainstream practice. This month, the New York Times highlighted this trend.

"**Corporations Open Up About Political Spending**," declared the headline for a New York Times Economic Scene column by Eduardo Porter. Relying heavily on data from the CPA-Zicklin Index and statements by corporate executives, the column charted the success of CPA and its shareholder partner organizations in establishing disclosure as a corporate governance best practice. Here are key excerpts:

"Corporate governance, it seems, can impose at least some of the restraint that Congress and the Supreme Court — in lifting limits on corporations under the argument that they have many of the same rights as people — have refused to demand."

"Business executives seem to have realized that secret political contributions carry real risks to corporations and their shareholders."

"Watertight anonymity might protect a corporation from damaging its reputation through some ill-conceived donation. But anonymity is often breached. Moreover, it carries risks of its own by exposing companies to extortion by the operatives running politicians' dark pools of cash, who know exactly who contributed or refused to contribute to their efforts."

Since the Center for Political Accountability "started banging the drum in 2003," the column continued, "it has reached disclosure agreements with 141 companies in the Standard & Poor's 500-stock index, according to Bruce F. Freed, who runs the center."

"In an evaluation of the top 300 companies in the S.&P. 500, the group found that more than six out of 10 either disclose political spending made directly to candidates, parties and committees, or do not make such contributions. Almost half disclose at least some information about payments to trade associations, like the United States Chamber of Commerce, that put money into election campaigns."

"Perhaps the increased transparency will also instill more moderation. Forcing executives to justify political activities on the corporate dime, and allowing shareholders to object, could limit political spending altogether."

The Times column said plenty of corporate political cash remains in the shadows. "But as Mr. Freed noted, the disclosure effort has the wind at its back. 'We have surmounted the major obstacle, the acceptance that political spending poses a risk,' he said."

Political Disclosure Protects Companies from Growing Pressure

Founder's Column
By Bruce Freed

In a month of major national news from Charleston to the Supreme Court, it would be easy to overlook a Washington story with big repercussions for corporate political activity and for shareholders. Lest that happen, I'll reprise it here.

"The primary Senate and House Republican super PACs," the Congressional Leadership Fund and Senate Leadership Fund, "are joining forces in a major campaign to get Big Business to open its checkbook to the party," **Politico** reported.

They will focus on holding their majorities. “The message isn’t subtle: the left is shelling out tens of millions of dollars to pummel Republicans and it’s time for corporate America to fund a counteroffensive,” the article continued.

When this effort to woo corporate political money is added to that of campaigns and superPACs in the presidential election, the result is that American companies are coming under greater pressure to give politically than at any other time in memory. You don’t need to take our word for it that that spells r-i-s-k for shareholders, because the Politico article affirmed it from the vantage point of corporations:

“Corporate honchos feel that such open political activity could negatively impact their bottom line or rile up shareholders.

“‘I still feel like a lot of these companies have not overcome that hurdle,’ said one attendee [at a private briefing by the superPACs for corporate representatives] of giving to super PACs. ‘I know ours hasn’t. We do individual giving, not corporate giving. I’m not sure how some of these other guys do it.’”

Recent polling suggests that the unnamed attendee and his risk-averse compatriots may also be listening to public opinion.

According to a **Wall Street Journal/NBC News poll**, “Asked to rank their top concerns about the upcoming presidential election, one-third of Americans pointed to the sway that companies and wealthy individuals may have over the outcome, more than for any of five other issues tested.”

Especially with Republicans girding to keep their Senate majority in 2016, look for even more ratcheting up of pressure on American companies to give political cash.

This volatile climate poses risky terrain for companies to navigate safely. Political disclosure and accountability are two of the best navigational aids they can deploy.

San Francisco Chronicle

SF Chronicle: Tech Companies Get Coverage Over Lack of Political Transparency

Leading tech companies such as Google and Facebook are among the least transparent publicly traded companies in the nation when it comes to disclosure of political spending, the **San Francisco Chronicle** reported. It quoted data from the 2014 CPA-Zicklin Index on Corporate Political Accountability and Disclosure.

“With the tech companies, it’s often a one-sided transparency,” CPA’s Freed told the newspaper. As Chronicle reporter Joe Garofoli put it, these companies rely on their users sharing personal information, but the companies themselves “prefer to protect their privacy.”

Federal Election Chair Ann Ravel told the newspaper that tech companies “in some ways, have a particular obligation here to disclose.” She added, “What is so significant about the Internet and technology is that is has such a great power to democratize. And I would think that the ethos of the Internet should be applicable to these companies as well. It should be in their public interest to be consistent and disclose.”

Investors also told The Chronicle of concern about surging dark money spending by tech companies. “These tech companies often present themselves as the arbiters of the future and the face of the future,” said Bruce Herbert, chief executive of Investor Voice, a shareholder analytics and engagement firm. “You want that face to be in line with what our democracy is about. And secret money is not what the founders had in mind.”

The Chronicle noted that some older tech companies were given high scores by the CPA-Zicklin Index. They included Microsoft, Intel and Qualcomm. Google and Facebook are both based in the Silicon Valley area near San Francisco.

ST. LOUIS POST-DISPATCH

St. Louis Post-Dispatch Column: 'Slow-Motion Shareholder Revolt' Will Bring Spending Out of Shadows

Another major regional newspaper, the **St. Louis Post-Dispatch**, focused on increasing efforts by shareholders to press for information about the way regional companies are spending on politics.

“When the Supreme Court’s Citizens United ruling opened the floodgates to corporate money in politics, it also stirred shareholder concerns about how their money was being used,” business columnist David Nicklaus wrote.

“Forcing disclosure can actually change behavior, but by itself this is just about transparency,” Nicklaus quoted Hillary Sale, a professor of law at Washington University, as saying. “In corporate governance discussions, we usually say transparency is a good thing.”

And Nicklaus quoted CPA’s Freed as saying that advocates for transparency do not win every proxy vote, they are winning a larger war:

“Freed says that even when companies oppose shareholder resolutions, they are moving toward better disclosure. ‘Those that don’t accept it are viewed as outliers,’ he said. ‘There is room for improvement at quite a few companies, but they have accepted the principle.’”

Nicklaus concluded his column with an opinion of his own. “This slow-motion shareholder revolt won’t end the flow of corporate cash into politics anytime soon,” he wrote, “but may at least bring it out of the shadows.”

News Briefs

CONGRESSIONAL INTERFERENCE: Members of Congress “of all stripes” should avoid interfering with the rulemaking process of the Securities and Exchange Commission, law professors Lucian Bebchuk of Harvard and Robert L. Jackson Jr. of Columbia wrote this month.

The authors have spearheaded a petition to the SEC to require corporate disclosure of political spending. The petition was prompted by the Center for Political Accountability.

Recently the House Appropriations Committee adopted a legislative provision to block the SEC from developing such rules, they noted in the **Harvard Law School**

Recently the House Appropriations Committee adopted a legislative provision to block the SEC from developing such rules, they noted in the **Harvard Law School Forum on Corporate Governance and Financial Regulation**. While the provision is not likely to be written into law, it is “regrettable,” they said.

“In our view, Congress should let the SEC do its job and use its expert judgment—free of political pressures in any direction—to determine what information should be disclosed to public-company investors,” the law professors contended.

According to **The Washington Post,** the overall bill was reported out of the Appropriations Committee.
