



## ***Spotlight on CPA - February 2017***

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### **Needed for Companies: Stabilizers That Can Help in Rough Seas Ahead**

#### **Founder's Column**

By Bruce Freed

For any U.S. company trying to navigate the first 100 days of Donald Trump's presidency, the seas are rough.

What will become of promised Trump tax cuts, and also the proposed Border Tax Adjustment? Whither the Affordable Care Act?

Will a new executive order on immigrants and refugees, of foremost importance to any number of U.S. companies, hold up in the courts? Will the climate change deniers take a wrecking ball to existing regulations? And what exactly will "deconstruction" mean for businesses?

On top of the roiling policy debates and internal White House gyrations, CEOs must be wondering if anyone is busy developing an app capable of predicting the next company to appear in the crosshairs of a Trump Twitter attack.

Suffice it to say it's a period of massive uncertainty for the U.S. business community, when company executives face decisions about whether or not to engage politically and if engaging, how to avoid risk. (In this polarized era, it seems like company boycotts take off like a rocket on the Internet when they're launched.)

For years, CPA has advocated for companies to voluntarily adopt political disclosure and accountability policies. Today, we believe that there's no better time than the present, given Washington's turbulent—and uncharted—policy waters.

Strong internal policies give companies not only a shield to defend against politicians' shakedowns but also a well-considered framework for measured decision-making. As we discussed in [a Harvard Business Review article](#) about board members and political spending, this framework will:

"...[H]elp boards make decisions concerning corporate political spending — decisions that are informed; consistent with company strategies, policies, and values; and that mitigate risks as much as possible.

"To accomplish this, directors must be able to do three central things: 1) Decide whether the company should engage in political spending; 2) Decide whether to disclose that spending; and 3) Ensure that appropriate oversight and other policies and procedures are in place."

Our article's details offer board members a primer. And we concluded that 2015 article by writing, "Perhaps the upcoming U.S. election cycle will help clarify how directors can play a more rigorous and informed role when it comes to political spending."

Ships need stabilizers in order to steam forward safely in rough seas. For companies, political disclosure and accountability policies are like stabilizers on a ship, and the need for them may never have been as great as it is right now.



CENTER FOR  
POLITICAL ACCOUNTABILITY

### **Third Corporate Political Accountability Roundtable Breaks New Ground**

When top experts convened for the Third Roundtable on Corporate Political Accountability at New York University's Stern School of Business this month, they engaged in vigorous discussion notable for its breadth and its depth alike.

The two-day session drew top-flight authorities from an array of different fields including companies, campaign finance, corporate governance, shareholder activism and business ethics and education.

The Roundtable's themes included the ways companies are exerting influence, from a historical perspective and looking ahead; what business schools are teaching; and best practices for corporate political transparency and accountability. A summary of discussion at the Roundtable, with a list of participants, is available by clicking [here](#).

Under rules governing the Roundtable, remarks and themes may not be attributed to individual participants, with one exception. Professor Robert J. Jackson Jr. of Columbia Law School, who delivered keynote remarks, agreed to the use of his name.

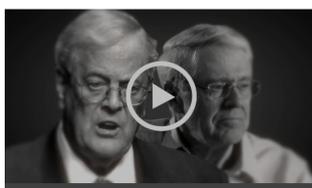
Jackson said that today, "private ordering" is limited but is the only viable option for achieving corporate political transparency and accountability.

A drawback of private ordering, he said, is that those companies tending to adopt disclosure of their political spending are usually the ones already open to doing so. Because the issue is urgent, Jackson said, it's necessary to encourage other companies to follow suit, and thereby to reach a critical mass.

The annual CPA-Zicklin Index of Corporate Political Disclosure and Accountability has become a valuable tool for encouraging companies to adopt or strengthen their transparency and accountability policies, and it will continue to be instrumental, he said.

There were suggestions that it would be useful to convene a conference with companies, corporate governance experts, academics and CPA to examine the Index indicators and, as a result, gain additional corporate buy-in.

The Roundtable was sponsored by the Stern School; the Center for Political Accountability; the Zicklin Center for Business Ethics Research at the University of Pennsylvania's Wharton School; and the Zicklin School of Business at Baruch College.



### **New Video Tells CPA's Story**

CPA has released a short new video telling its story and impact.

The video, produced by 76 Words, is available for viewing by clicking [here](#). It begins with a quote by Edith Wharton: "There are two ways of spreading light. To be the candle/Or the mirror that reflects it." Since its founding in 2003, CPA "has done both those things," a narrator intones.

The video describes CPA's innovative approach to corporate political disclosure, the extent to which corporations are making disclosure and accountability a mainstream practice, and widespread news media acceptance of CPA's findings and advocacy.

The video concludes by CPA doubling down on its mission saying, "But we're not done, our mission has just begun. And we can't claim success until all companies are reporting and the American people know which companies are spending what and how. Our democracy depends on transparency and accountability, and we need your help to protect it."

### **2017 Proxy Season Update: Big Jump in Emerson Electric Vote**

In a continuing good opening of the 2017 proxy season, CPA's model resolution for corporate political disclosure and accountability won a vote of 40.25 percent at the annual stockholder meeting of Emerson Electric Co. held on Feb. 7, up from 31.4 percent last year.

Trillium Asset Management proposed the resolution. Earlier, NiSource Inc. and American International Group, Inc., agreed to disclose their political spending (for background, see the [December/January CPA newsletter](#)).



### **CPA Op-Ed in The Hill on Political Transparency and Crony Capitalism**

In a commentary for [The Hill](#) published Feb. 7, CPA seized on the first 100 days of Donald Trump's presidency – and mounting concerns about crony capitalism in the Trump era – to escalate its ongoing effort for corporate political transparency.

"If corporate leaders haven't adopted transparency policies yet, will they do so and strike a blow against crony capitalism?" urged CPA President Bruce Freed

and Board Member Charles Kolb. “Transparency mitigates risks and reassures shareholders that the companies they invest in are well-run. It can protect against political donations that might trigger a backlash in our fiercely divided political climate. Finally, an oversight policy helps companies shield against politicians’ shakedowns: a company can simply cite its policy and just say no.”

The commentary tailored for Washington insiders included themes CPA struck in a lengthy Reuters essay a month earlier (see [January CPA newsletter](#)). The latest op-ed went further to also invite Trump’s attention.

“For a new anti-regulatory president and for businesses that haven’t signed up,” the authors concluded, “what could be smarter than endorsing an idea that’s pro-growth, pro-democracy and voluntary too?”



### Center for Public Integrity on Business Roundtable Shift

The [Center for Public Integrity](#) recently spotlighted a shift in attitude toward corporate political transparency by the lobbying powerhouse Business Roundtable.

The Business Roundtable’s “hard line on corporations volunteering information about their political activities appears to have blurred — at least a bit,” CPI reported. It went on to quote the following language from the Business Roundtable’s “Principles of Corporate Governance” report:

“To the extent that the company engages in political activities, the board should have oversight responsibility and consider whether to adopt a policy on disclosure of these activities.”

CPI’s article revealed an interesting side note about disclosure. It said:

“Of the 23 members of the Business Roundtable’s executive committee, eight – the CEOs of JPMorgan Chase & Co., Bank of America Corp., Boeing Co., Dow Chemical Co., Northrop Grumman Corp., Honeywell International Inc., General Electric Co. and MasterCard Inc. – ranked at or near the top of the 2016 edition of an annual corporate political transparency study conducted by the Center for Political Accountability and University of Pennsylvania Wharton School’s Zicklin Center for Business Ethics Research. (It’s a study the Business Roundtable has previously criticized.)

“Several other Business Roundtable executive committee members led companies that also received high marks for political transparency, including Lockheed Martin Corp., CVS Health Corp., AT&T Inc. and Cummins Inc.”



### Susan Liss Joins CPA Board

The Center for Political Accountability is pleased to announce that Susan M. Liss, a public interest attorney whose career spans more than 30 years in Washington, D.C., has joined its Board of Directors.

Liss has been a champion for civil rights, women’s rights, public health and constitutional issues. She most recently was Executive Director of Justice at Stake, following her tenure as Executive Director of the Campaign for Tobacco-Free Kids.

In addition to leading the Democracy Program at the Brennan Center for Justice, Liss previously served as Director of Federal/State Relations for Governor Deval Patrick of Massachusetts, and earlier in her career she served in the White House as Chief of Staff to Tipper Gore and Special Counsel to Vice President Al Gore.

“She brings a wealth of experience and judgment that will help CPA carry out its mission,” said Bruce Freed, the organization’s president.



### Corporate Political Spending News

A nonprofit group set up to handle President Trump’s transition has received large donations from groups that include corporations, according to reporting by the Center for Public Integrity.

A Feb. 23 [CPI report](#) said, “The nonprofit formed to handle President Donald Trump’s transition raised about \$6.5 million in private contributions, fueled in part by corporate interests, billionaires and lobbyists.” The nonprofit is a 501(c)(4) organization.

### CPA In the News

**Pro-Trump Committees:** The [Newark Star-Ledger](#) reported on Feb. 6 that "President Donald Trump, who pledged to 'drain the swamp in Washington,' is providing big donors and corporations an unprecedented ability to influence his policies without the public knowing about it." Former campaign operatives and advisers have established two committees to push his agenda, "setting them up as nonprofits so they do not have to disclose their contributors, the newspaper said.

CPA's Freed was quoted as saying Trump should tell the committees to disclose their donors. "When politically active nonprofits are tied to powerful elected officials and conceal their donors, it fuels the threat of extortion and shakedowns for money that helps perpetuate the swamp," he said.

**Investors and Trump:** A Feb. 1 [Market Watch](#) column by financial analyst Michael Brush was headlined, "How CEOs can tame Trump and protect your investments:

If company leaders push back against the president's policies, they need to do so without putting your money at risk."

"Companies have to be careful with what they do, but they are also members of society and they are affected by the broader society in which they operate," Brush quoted CPA's Freed as saying. That includes "the type of market they have and even basic things like the spending power of consumers," Freed said.

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