

Corporate Political Responsibility Taskforce

Expert Dialogue with Bruce Freed

Freed - Module #3

Elizabeth Doty: Welcome to the Corporate Political Responsibility Task Force First Expert Dialogue, convened by the Erb Institute at University of Michigan. My name is Elizabeth Doty and I'm the director of the Erb Institute's Corporate Political Responsibility Task Force at the University of Michigan, and I'm delighted to be moderating today's dialogue with Bruce Freed.

The president and co founder of the Center for Political Accountability. The Corporate Political Responsibility Task Force is an initiative of the Erb Institute, a 25 year long joint venture between the Ross School of Business and the School for Environment and Sustainability at the University of Michigan with specialties in teaching and learning, business engagement, and scholarly and applied research. These dialogues are part of the CPRT's mission to help leaders engage responsibly in the [00:51:00] complex civic, societal, and political issues that are in the headlines so often these days, from climate policy to voting rights, to distrust of civic institutions, social justice, and polarization.

Our goal is to help companies better align their approach to political influence With their commitments to purpose and values to sustainability and stakeholders by engaging a diverse ecosystem of academics, business networks, stakeholder advocates, and executives sharing best practices, research and tools, and wrestling with difficult questions.

As first outlined by Erb Faculty Director Tom Lyon and his colleagues, CPR, or Corporate Political Responsibility, requires us to think at three levels. The first level is transparency. Do we disclose our political influences to the relevant stakeholders? Who needs to know what to be able to hold us accountable?

Accountability. Do our political influences align with our commitments to purpose and values, to sustainability and stakeholders? Does the left hand know what the [00:52:00] right hand is doing? Who takes the integrated view? And finally, responsibility. In an environment where so many systems are under threat, do our political influences support the systems on which markets, society, and even life depend?

To keep this practical and focused. We've been exploring these questions in light of four pressing systemic issues. How do we build strong civic institutions? How do we shift to long term shareholder value and innovation? How do we ensure social justice and inclusion? And how do we address the systemic existential threats of climate and the environment?

I'm very excited to be talking with Bruce today. Our friend was part of our kickoff in March and someone I've learned a lot from Bruce is Bruce is widely respected as one of the leading figures in money and politics. Under his leadership, the Center for Political Accountability produces the annual CPA-Zicklin index, which benchmarks the S& P 500 [00:53:00] companies on a set of standards, and now two thirds of the S& P 500 disclose in some form or another have accountability policies.

Drawing on his experience in journalism on the Hill, so he's got firsthand extensive firsthand experience of working in the halls of Congress and in strategic public affairs. Bruce has co

authored numerous CPA reports on things such as the contradictions between companies brands and their political activity, the impact at the state level of political spending from corporate funds, and more recently a report called Corporate Enablers, which we'll learn more about.

He also contributed to the Conference Board's Handbook on Corporate Political Activity, and more recently a report by the CED called Under a Microscope. Which outlines the increased scrutiny of of companies, political spending activities probably most interesting to us, Bruce led the development of the CPA Zicklin model code of conduct for corporate political spending, which we will go into here.[00:54:00]

And we've asked him to focus in our time here on three. particular topics. The model code, which I think will be the most actionable and near term relevant to our audience. But also looking ahead to scenarios for SEC rules around political spending disclosure and thinking about risks and opportunities as 2022 campaigning begins.

So hello Bruce and welcome. Thank you for letting me do that long setup. There was a lot to say about your background.

Bruce Freed: Elizabeth, it's a pleasure to be with you and a pleasure to be with Tom and all of the folks at the herb center. So thank you.

Elizabeth Doty: Welcome, welcome.

Let's go to our third topic, Bruce, let's talk a little bit about 2022 campaigns. And in particular on this call we have folks that are stakeholder advocates, pushing for issues around climate and civic institutions and investor rights we have academics on the call and we have members executives from companies.

What's your [00:55:00] sense of the best path forward. for that alignment you talk about and the responsibility you talk about as 2022 comes up. So for companies, they may be on the hot seat and they may have some big decisions to make, but also for others who are advising them or challenging them, what would you recommend, Bruce?

Bruce Freed: I think they have to be extremely careful because I know with the calls that I'm getting from the news media on this that a great deal of attention is being paid by reporters. to the company spending, especially on the attack on voting rights. That's a hot topic now. You know, we, we, we're coming out shortly with our corporate enablers report, which looks at the attack on voting rights in seven states, Florida, Georgia, Texas, Michigan, Pennsylvania.

Arizona and Iowa, but you have many other states with similar type of problems. And you know, what is the role of corporate money in electing the state legislatures, in electing the governors in these states where the legislation has either been proposed, considered, it being considered in the legislature, or being [00:56:00] enacted?

Are being passed. So, you know, companies have to pay much closer attention to that now. You know, and I think that you know, they will find going forward, you know, with supporting the members of Congress who opposed certification of the election. You had companies that called a pause on that.

That now are basically retreating on that they're coming under close scrutiny there. They're going to be getting media attention on that. And I think that, you know, companies are going

to find this type media attention again because of social media and because of the reaction of consumers and investors and others that it's going to create problems for them.

You know, so I think that I think we're at a point where, where companies really are need to seriously rethink. And then act on, you know, what, what should they be doing in terms of their engaging in political spending, is it worth the cost, do they get the benefits from it, you know, that they that they felt they were [00:57:00] getting in the past.

You know, is it bringing you know i think that. And then, you know, for instance, the issues like climate change, you know, it's not just voting rights, but great deal of attention is being paid to to climate change now and again, companies really need to take a look at aligning the spending with with policies, positions and then also with with the with the with the public image of the company.

You know, I think, you know, we're talking to companies now about the index, it's just not the index with the model code, it's just preliminary, but there's interest. And it's coming up with groups like the conference board through through the conference board, but it's also one on one conversations with companies.

It's at a stage that I would call gestation. But the fact is, it's something that is beginning and moving forward. And given the turmoil that we face the type of environment that we face politically and that companies face politically is something that I think increasingly they're being forced to address.

Elizabeth Doty: Thank you. Let me, I'm going to defer questions on this one till at the hour. But let me ask you one, one follow up on that. I've been hearing and in the conversations I'm joined here with my colleagues, Tom Lyon and Terry Nolodov at the Erb Institute, we're hearing in conversations a couple of things that I think my people tend to say, oh, you're being idealistic or you don't understand.

And one of them is we need to be cross partisan. And the other is we need to support our allies in Congress. That we've cultivated relationships that know our industry that are on the, in the committee leadership roles, and that you're putting us between a rock and a hard place to try and apply these purist you know, criteria.

So, what do you say to that? I mean, we want to help folks that are in this position. What's your response?

Bruce Freed: It's not purist. I mean, look it, I'm a realist. I've been on Capitol Hill. I've covered it, but I've been there. And so I've seen this and we deal with companies [00:59:00] all the time. It is a very different environment.

You know, for people to talk about the need to get access the need to be equivalent in both sides. You're facing today a political environment that we have never that we have not faced since the period before the Civil War. And I think that you know companies need to recognize it, that because of this environment and because of, of the risk that it poses this gets into the three dimensional risk management that I'm talking about.

Companies today cannot apply business as usual, a business as usual approach to their political spending or to the way they approach the political process. I think, you know, I've heard this, you know, the way the folks frame it just the way you framed it. And they don't recognize that things have fundamentally changed and the nature of risk has fundamentally changed.

And when you take a look at the reports that CPA has done, the [01:00:00] analysis that we have done, you know, we have really taken a look at how risk has evolved and that the nature of risk today is much greater to companies. And we're finding that this is coming up in conversations with companies where you're getting companies incrementally Recognizing this changed level of risk, and it's a bottom is practical it's not theoretical.

Elizabeth Doty: It's very interesting Bruce but I think your three dimensional analysis of risk is that is broader, and it's longer term, as opposed to what seems like maybe next week we might be in the news. But if we disrupt you know, stable transitions of power or the rule of law or addressing climate change, very, very real consequences on a systemic level, the type of pressure that a company can face that some companies faced in the last four years, a type of pressure that they had not faced before pressure that really were threats.

And that were direct threats to [01:01:00] pressure and threats that they would face in authoritarian countries. Very interesting in the field of how do you work in other environments to be able to not risk a relationship when you decline some invitation for a favor. Having a policy is universal best practice anticipating the pressure and having a policy in our last webinar people talked about what can give companies air cover on this, and what will entice them to do it and I think.

Many people on that call were thinking it would be pressure and control and forcing companies. And I think what you're saying is once they dig deeper, they can see the risk management benefits of this. I would love to see that apply to the investment managers. Who are going to be dealing with the side effects of unmanaged climate change very clearly. Right.

Bruce Freed: And, and they do have a shared interest in this, and we pay a great deal of attention to the investment managers or some investment managers we work with their investment managers who use them, who use the CPA Zicklin index as a way to measure the companies in which they have [01:02:00] investments, especially in ESG portfolios, and they'll engage companies on that.

Elizabeth Doty: it's very interesting. It should be part of the G in ESG reporting. Bruce, thank you for addressing the question so far. There are a few ways to continue the conversation with the CPRT. Contact us there. For those of you associated with companies, we are, we are looking to work together to shape those principles for corporate political responsibility and what companies commit to jointly.

So that it's not any company going alone and the model code will be part of that conversation. So there are contact information at the bottom of the screen here on Thursday, July 8, we will be talking with Sarah bonk and Richard Island of business for America, who are working on civic reforms and anti polarization measures and the role of business, particularly focused on cross partisanship very should be very interesting can follow us.

And I'll send out these slides and you can link to our website or use the bitly link at the bottom of the page there to herb [01:03:00] students just created a fantastic resource list that will be available to you. Just on this topic and we will continue to to add to it and if you'd like to propose additions please let us know.

Bruce, let me offer you an invitation what one thing would you ask people to do coming out of this, this conversation whether they are in an academic setting, a stakeholder advocate setting or in a company,

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Bruce Freed: I would urge companies to take very seriously a very serious look at their political disclosure and accountability policies and really adopt rigorous policies for governing their spending.

I'd also urge them to take a look at the model code. And the fact is, and you know and we are. We welcome the opportunity to speak with them about the code to see how it applies to them and how it is going to help them. Because one of the things that I found with companies as an increasingly companies say to us, we need policies governing our spending.

We need policies that give us [01:04:00] greater control over our spending. And that's where the model code and adoption of policies. Are very important. They give companies autonomy and it gives them really the ability to say no and to really frame what they're gonna do.