

Corporate Political Responsibility Taskforce

Expert Dialogue with Kron

Kron - Module #2

Elizabeth Doty: [00:00:00] Hello and welcome. This is the Erb Institute's Corporate Political Responsibility Task Force Expert Dialogue. My name is Elizabeth Doty and I'm the task force director and I'm delighted to be moderating today's conversation with Jonas Kron, who is the Chief Advocacy Officer for Trillium Asset Management.

The Corporate Political Responsibility Task Force or CPRT is an initiative of the Urban Institute. A 25 year long partnership between the Ross School of Business and the School for Environment and Sustainability at the University of Michigan. Led by Managing Director Terry Nelodov and Faculty Director Tom Lyon, the URB Institute is known for its leadership in three areas.

Teaching and Learning. Business engagement with groups like the CPRT, and scholarly and applied research. The [00:01:00] CPRT's mission is to help companies better align their approach to political influence with their commitments to purpose and values, sustainability, and stakeholders. As we're seeing, corporate political responsibility is an increasingly pivotal element in managing stakeholder trust, addressing systemic issues, and rebuilding public trust in institutions.

Today, I am delighted, as I said, to be talking with Jonas Kron. Jonas is the Chief Advocacy Officer of Trillium Asset Management. He leads their advocacy program, which involves engagement, talking with corporate leadership, filing shareholder resolutions building investor education and awareness, and even public policy advocacy.

So it's a pretty thorough when they say engage approach and we'll be talking about that. He's a recognized legal expert in the field, and is on the board of the Forum for Sustainable and Responsible Investment, the USSIF. And before that he was an [00:02:00] environmental attorney and public defender. So really a precise thinker and I've always learned a lot in our conversations.

Today we'll be approaching the conversation in three rounds. talking about impact investors in the current environment, all the debate about ESG and impact investing then go to, is it really possible for an investment management firm to represent shareholder voice? And what are the challenges in practice there and legitimate voice?

And then finally, what are the implications for action? I can't actually think of a topic that would be more timely given the debates about investor voice, ESG, corporate political influence in the environment today. So thank you so much.

Jonas Kron: Yeah, no, thank you so much for having me. It's really it's actually a pleasure and an honor to be here and wonderful to have everybody else that has joined and look forward to a great conversation.

Elizabeth Doty: How is it possible to represent shareholder voice? I think, you know, some of the concerns about [00:03:00] having a point of view and really. Trying to have impact in

these areas related to environmental or social issues as well as long term economic is on what basis are you representing people's voice, right?

And how do you know you're not coercing or overriding or choosing or oscillating? And given the legal structure of limited liability, I think the critics of ESG have raised this as a particular question, but it's been there for a while. How do you think about this? So what's the idea of knowing what your shareholders actually want or think on a given Thursday?

Jonas Kron: Yeah. So, so in terms of, you know, different ways in which companies can decide to or decide not to sort of participate in the political process, we've sort of taken two different approaches over, over the years. One is, encouraging companies to go through a process of making sure that their political spending and their political activities are [00:04:00] aligned with their values for whatever those particular values are as a company, and there's been a set of shareholder proposals over the last couple of years that have been focused on that.

And we've filed some of those shareholder proposals. Another way that we've been thinking about it is that. Thank you. At the end of the day, trying to get that alignment is actually, this is a completely misguided endeavor and that companies should simply stop doing any political spending and should step away from it entirely.

And we actually filed a shareholder proposal in 2012. 10 years ago, asking Bank of America not to do any political spending whatsoever. You know, talking about the reputational risks that were involved, talking about, you know, the opportunities for, for missteps, but then also talking about the lack of legitimacy in the, you know, its role in the political process, you know, and this was, you know, in the wake of Citizens United and, and all the [00:05:00] conversations there.

And the shareholder proposal did. Terrible, you know, it got a 10, it got a, actually, no, it got a 6 percent vote. It just did miserably. and so we didn't file that again. It didn't feel like we were really. getting any sort of traction. But this year, we've actually decided to give it another try. That we thought maybe this is an idea whose time has come.

You know, part of that was related to the work that was done by Leo Strine and the piece that he put out in the Harvard Review you know, talking about how, you know, as he put it, basically, nobody invests in a company with the anticipation that, you know, they're going to be investing in a political agenda at the same time and also pointing out, you know, the, the scholarship saying that actually there's a pretty.

Strong negative relationship between political spending and business success. And also pointing out, [00:06:00] and I think this is not as important an issue for an active investor like Trillium, but for passive investors that, you know, political spending by corporations is really a way of generating current capitalism and extracting rents and creating inefficiencies in the market.

And that as a. Universal owner as a passive investor, you should be very skeptical of political spending, but then also just the straight up, you know, reputational hypocrisy problem in the 10 years, since we filed that previous shareholder proposal, there's been so much more disclosure about political spending, you know, and a lot of the credit goes to the center for political accountability and all of the shareholders that have year in and year out gone to companies to get better.

You know, disclosure, that disclosure, I think has really started to mature to the point where it doesn't take folks very long to start seeing where a company on the one hand will [00:07:00] say, All sorts of wonderful things about inclusion in the workplace and their support for transgender employees and their families.

And on the other hand, contribute hundreds of thousands of dollars to politicians that are doing everything they can to push trans kids and families and individuals. Back into the closet and back underground. And you know, with devastating consequences, you know, we just, just look at the suicide rates, you know, amongst that community and you understand that in many cases, this is really a matter of life and death, but that, that, that, that contradiction all of a sudden has I think become much more apparent and the ability of companies to get called out quite quickly.

And so all of that added up to that. We're going to try that. Try this again. And we have filed a shareholder proposal at Verizon, asking them to stop political spending both, I should say both treasury and PAC spending. we'll [00:08:00] see how it goes. yOu know, it'll be interesting to see if this proposal does better than, than it did a decade ago.

You know, I do think that the conversation has changed. Fundamentally you know, I think back then it was a. A little bit more theoretical. It was a little bit more focused on Citizens United. And we also just didn't have the level of disclosure that we have now. But but I think we know more now.

And I think there's increasing levels of concern. And I think a lot of companies, you know, we're just seeing a growing number of companies at this point saying we're not going to do any political spending at all. You know, IBM NVIDIA, ADP, Verisign, I think at least a dozen others.

Elizabeth Doty: Thank you.

Jonas Kron: Yeah. So, you know, it's not this sort of fringe idea anymore.

Elizabeth Doty: One of the things that stood out to me from Leo Strine's article was the idea of this as a hypocrisy trap that like there's almost no way to get it right. Just because it's so complicated and there's, and [00:09:00] you're under pressure once you have the option to spend.

But I'm wondering also if There's any aspect of this that has to do with investor education and recognition of those dimensions there that that former Chief Justice trying called out for example, maybe you could explain this distinction between treasury and PAC spending. And I, when I talked to actual executives and companies, sometimes they're not.

You know, it's not top of mind. This this key distinction.

Jonas Kron: Yeah, well, I think there is definitely a fair amount of investor education, you know, that, you know, that we that we all could do a lot more to to facilitate. And I do think that there is, you know, sort of internal education as well. I think that. You know, government relations teams and a lot of companies that, you know, how very many companies are based in DC, but they've got these teams in DC that are just doing all sorts of stuff.

And I think that a lot of executives are just like, well, we'll just let the government relations folks do [00:10:00] what they do. And they kind of know their own world and their own game. And they're sort of, you know, acting under one set of motivations that are maybe not in alignment with. Senior management and maybe not in alignment with investors, because,

you know, what's good for a single company might not be good for the investors more broadly that are, you know, exposed to the economy and the ups and downs of the economy more generally.

The other thing though, that I do want to sort of add in here in terms of you know a comment. And, you know, and I do this sort of from intellectual curiosity and the ability of all of us to sort of, you know, think through these ideas together and be generous is that, you know, as you may have noticed, like I have said, basically that we have filed shareholder proposals that sort of take two very different approaches to this question.

And I think that there is a fair argument. about, well, what is the right way forward on this? And part of this is that I do [00:11:00] think that there's an incredibly strong argument for companies to just stop doing political spending. And in terms of treasury versus PAC, treasury dollars are simply what is the company's own money and how it is spent.

Typically, that's really state level spending. Versus pack dollars, which is a separate organization where employees of the company contribute to that pack, and that pack is making its own decisions. You know, it is staffed by by company individuals, but it is making its own decisions about how to spend those.

Those dollars and where those contributions go. One of the points that I continually want to make is that I don't think it's possible for companies to be neutral. You know, one of the things that we've been heard from companies for years and years and years is like, Hey, we're just trying not to, you know, like we're just trying to stay neutral.

We're not trying to pick size. We're not trying to be red or blue, you know. The classic line is the Jordan line, you know, Republicans buy sneakers, too. And my point has always been, you can't be neutral, there is no such thing as neutral. Like, whatever you do, it's going to have an impact. Not doing [00:12:00] something is going to have an impact.

And that actually gets to this point, which is, not doing something actually has an impact. The impact of not doing something is that you're reinforcing the status quo. And I think that's sort of worth pausing on is if you like Trillium believe that we need to move towards a more equitable society to a more sustainable economy.

If all those things need to change, if we need to create a better world, the status quo is not okay. And if you are quote neutral and you are not engaged in the process, you're kind of putting your thumb on the scale of the status quo. And at the end of the day, that's not something that we're very excited about.

And so I do think there's a tension here that I don't, you know, pretend to have the answer to, that I think having companies participate in the political process is just an inherently. Problematic activity, but not participating in the political process is also inherently problematic, you know, non activity and [00:13:00] and and it is this is a tough.

This is tough to navigate

Elizabeth Doty: it's fascinating. I appreciate the way you're describing it. And I think I want to point out. I hear you drawing a distinction between what some of our Sounds Participants have called policy versus politics, you know, and the spending maybe is in the politics and then the policy to be debated.

But this whatever you do will have an impact and your focus on the impact right now where we are in history as consequences. Right. And that's why I like the criteria of responsible

because it Forces you to weigh those. So I feel like you have just put out a number of really powerful provocative dilemmas.

Grace can you share?

Grace Sheaffer: One question from a participant before, before we started was, what is the inflection point when companies decide not to contribute to deeply partisan politicians?

Jonas Kron: It's a great Question and I almost, you know, that is kind of where the rubber hits the road on this alignment question.

and[00:14:00] even the best examples that I can think of out there of companies that say, yes, we want to get our spending in line with our values when you start looking at those documents and start talking, you know, looking at the way in which they. You know, say that, okay, we are going to go through a process.

When you start getting down and look at those documents, they get really hand wavy, really fast there. They do not. Really under any circumstances want to talk about what that threshold really is. They don't want to describe it qualitatively. They don't want to describe it quantitatively. And I understand, like, it's a hard thing to figure out, but but, you know, they, they really don't want to, to, to commit.

To any particular standard. And so again, you know, maybe the best answer is, well, you just don't do any political spending at all. Maybe the answer is, well, you know, you draw the distinction between state legislatures that sponsor the anti LGBT bill versus the ones that vote for the anti [00:15:00] LGBT bill.

Maybe that's, you know, your, your. Point of reference, maybe it's, you know, a percentage voting support from one of the voting, you know, one of the various organizations that rank, you know, legislators on their voting record. But it's, it's, I don't think it's an easy question to answer. You've

Elizabeth Doty: described the the consequences of not acting as well.

Grace, did you have another one?

Yeah,

Grace Sheaffer: It looks like John has his hand raised. I do, I do.

John: So, Jonas, thanks for joining us. I was the head of sustainability and environmental policy at Ford from 2007 to 2018. Mm. Faced quite a bit with Trillium back in the day. Yeah, 2008, 2009 through ICCR. And at that time the discussion was around climate change.

And even though it was a couple of years past the ICCR you know, report that, that talked about climate change and the two degrees it still was relatively new. And you all did a nice job, I know, when we talked to you about, you know, as we talk about the Ford operations, what are the things that we should [00:16:00] be, you know, focused on?

Just put public, you know, public relations and public affairs aside, and so kudos to you guys for that. I, you know, I appreciated that as always. So my question to you, kind of getting back to ESG. And support of political candidates. And it might I'm not even talking monetary support. Maybe it's just you're, you're, you're in discussions with certain candidates that don't share maybe some views that many would say are trying to are true to our values.

When we talk about values in a big company like Ford, right? We could talk about because we've I think our company has been very you know, proactive as a real as it relates to gender equality and gender issues and clearly candidates that support that we're going to support the dilemma is, you know, there are a lot of business related issues.

We have to talk to the other side. It could be trade. It could be currency manipulation. It could be other things, right? So we could be. Having some pretty tight discussions, maybe with policy makers, politicians [00:17:00] that would be anti gender gender equality. Yet we still need to have those discussions. We don't want to compromise our values, but we can't just avoid talking to those folks.

So in those situations, as you know, Elizabeth and, and, you know, her team, you know, goes out and talks to some of these big multinationals that have the need to talk to both sides, depending on the strength of what that one side is focused on, how do you not compromise your values in one area? Yet address the business needs of another area where those folks might not have the same value views on some like

Jonas Kron: ESG issues.

I guess the one thing that you didn't say there, and I'm just wondering if this is part of it, is that in order to be able to have those conversations, you need to make the political. Give

John: not necessarily, you know, Ford had a pack and so it wasn't direct from treasury. It was a pack and we didn't give any more than 10, 000 to any one candidate or any one politician.

And that was what was said to just get in the door. And it was [00:18:00] 50, 50 Republicans, you know, Democrats down the line. So that was really the only spending that we had without, and it was spread across the board. So it wasn't a financial reason why we had to talk or not talk to a particular

Jonas Kron: politician from my point of view.

There's certainly no, I don't see any harm in, you know, government relations team meeting with a, you know, state legislator that is, you know, you know, rapidly anti trans because they have to have a conversation about, you know, whether it's tax or health and safety or whatever. I don't, you know, having a conversation, I think is totally fine and, you know, providing expertise.

It's really the, the political. You know, it's the dollars, you know, and, and so the reason I was asking the clarifying question is that often I feel like what happens in these conversations is that the government relations team comes in and they're basically like, you know, for us to do our job, we got to write, you know, sometimes it's only a 500 check, you know, especially some of these smaller races, you know, and, [00:19:00] and, and smaller states, you know, where they.

500 actually can make a big difference, you know, in a, in a political campaign. A lot of government relations people say we have to spend that money or they won't answer our phone calls, you know, and I think that, um, you know, you know, that is a game that I think more and more companies are demonstrating.

Don't have to play, you know, and, you know, maybe Ford is, you know, an example where it doesn't matter because you guys, you know, Ford was, you know, is so big that, you know, depending on where you are and the jobs that, you know, maybe you, that Ford has to promise that it will be able to get the meetings.

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You know, IBM says they're able to get all the meetings that they need to get more and more companies are saying they can get the meetings that they need to get without doing the political spending. But I think, you know, that, that tends to be. You know, that tends to be the pushback from from government relations teams.

Okay.

John: Okay. And so I'm and I am glad that you all brought up the IBM and others [00:20:00] showing that because that was always the, the, the the commentary that came with it was that, you know, you can't, they won't even answer the door unless you give some minimal amount of money. But it sounds like we have multinationals now that are coming in and saying, you know, we're not giving any spending yet.

You know, we have big impact on the economy and IBM or a Ford, particularly with jobs. So they're, they're going to answer the answer, the door. So, you know, if you could avoid the political spending, you have more ability to talk to the other side and keep your values because you're truly talking about specific issues versus the perception that your money is really going toward fundings, you know, an individual that has certain views.

Jonas Kron: Yep. Yeah,

????: absolutely. Okay. Very good. Thank you.

Jonas Kron: Yeah. No,

Elizabeth Doty: thank you, John. I want to I want to echo one of the things in what you just said. I just spoke with a conflict expert and they said the real challenge is unwinding precedence. That if you've got precedence for having spent in order to get access. It looks really offensive to change.

But if you start [00:21:00] to build a relationship based on jobs based on, you know, having a partnership and collaboration and they're the elected officials, then you can get there but it's a it's rebuilding the basis for the relationship. And that can feel difficult for government relations maybe offer them help I don't know.

That's a good point.

John: No, good point. Good point, Elizabeth. Yeah.

Elizabeth Doty: Where to go from here? The task force is forming the, that's the private group that works on wrestling with these dilemmas and trying to use the principles we've been working on as a guide for thinking through dilemmas. We have just had our first goal setting session. Every company came up with a, how might we?

Question for a political responsibility dilemma, and if you know someone who'd like to join that, please let us know, or to look at the principles that we are about to publish on March 7th. That's our big announcement that will be coming out then, and if you'd like to see that or know someone who might consider supporting them, please be in touch.

Email address is at the bottom, [00:22:00] and then if you want to follow up with Jonas and learn more about Trillium and their incredible work, approach, clear, explicit, transparent point of view. You can do so here or follow us on Twitter at the Urban Institute. Thank you all. This was a, this was a delight and I really appreciate it.

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Any final comment as we sign off Jonas any call to action for if you were a government affairs person listening to this sustainability officer, sustainable policy officer. What one thing would you want to leave them with? And then we'll sign off.

Jonas Kron: Sure. Well, thank you so much for again for this opportunity.

This has really been wonderful and appreciate the conversation. I think, you know, I would just end probably would just reiterating a couple of key points is, you know, stop the political spending and provide paid time off to vote.

Elizabeth Doty: That's very interesting. And then you listen to the rest of the the conversation and you'll know why.

Thank you so much. Thank you all. Thank you, Elizabeth.[00:23:00]