

# Guide to Becoming a Framework Company

Understanding the CPA-Zicklin Framework and how it helps companies manage political spending in a high risk environment

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CENTER FOR  
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# What is the Framework?

The CPA-Zicklin Framework for Corporate Political Spending (previously known as the CPA-Zicklin Model Code for Corporate Political Spending) was developed to help companies manage the risks associated with election-related spending. It does that by giving them a framework for approaching and governing their spending.

The Framework has 12 provisions that build on the 24 indicators of the CPA-Zicklin Index. It goes beyond the disclosure and accountability policies in the Index to require companies to know and publicly disclose where their contributions ultimately end up and consider broader factors of societal interests and democracy in company political spending decisions. These additional factors directly impact the environment companies need to operate, compete, and grow.

The genesis of the Framework was a roundtable in October 2019 at The Wharton School's Zicklin Center for Governance and Business Ethics convened by the Center for Political Accountability and the Zicklin Center. Participants included corporate executives, investors, academics and corporate governance experts. It was held at a moment when political disclosure and accountability had increasingly become the norm through "private ordering" (or voluntary uptake) by large publicly traded companies. Participants at the roundtable recognized the need for companies to proactively address the particular impacts and manage the risks posed by election-related spending from corporate treasury funds (as opposed to a corporate PAC). The Framework was written to provide specific actions companies can take to respond to these concerns.

# What is the purpose of this Guide?

The purpose of the Guide is to help companies understand the Framework's provisions, make them a key part of how they engage in and manage election-related spending, and understand the ways in which they can commit publicly to these goals.

# Why should we want to be a Framework company?



In today's political climate, many companies are seeking a realistic framework to proactively manage the risks associated with corporate election-related spending. These risks can have a material impact on companies. The Framework provides a framework for protecting companies from these risks.<sup>1</sup> Adoption of or commitment to the Framework also publicly demonstrates to stakeholders a company's dedication to being a leading corporate citizen. Companies have a vested interest in protecting democratic institutions and the rule of law described in the Center for Political Accountability's Practical Stake report.

Due to the growing importance of managing all risks associated with corporate electoral spending, the Center for Political Accountability will give special recognition in the CPA-Zicklin Index to companies that adopt the Framework or state that their election-related spending policies are consistent with the Code. Becoming a Framework company is a short step for Trendsetters that already have most of the provisions in place.

In addition, the Erb Institute at the University of Michigan will be recognizing companies that adopt the Framework in conjunction with the Erb Principles for Corporate Political Responsibility.<sup>2</sup>

## How do we receive recognition as a Framework company?

The two paths to receive recognition as a Framework company:

-  A statement that the company has adopted the Framework through board action.
-  A statement by the company that its policies are consistent with the provisions of the Framework.

# What types of disclosure does the Framework require?

Guidance on disclosure of many of the items in the Framework can be found in the [CPA-Zicklin Index](#). **Further disclosure unique to the Framework includes:**

✓ **Disclosure of all direct political contributions** to candidates, parties, or political committees made with corporate treasury funds.

✓ **Disclosure of all indirect contributions** to 501(c)(4) groups<sup>3</sup>, also known as "social welfare" organizations; trade associations<sup>4</sup>, 527 committees, super PACs, and other third-party groups that engage in election-related spending.

✓ **Disclosure that the company receives a report from third-party groups** to which it contributes, if that group engages in election-related spending, detailing how corporate contributions are spent and which candidates' campaigns are promoted using those contributions.

**NOTE:** Some companies like New York's Consolidated Edison post on their website the 990 tax return of their trade associations that engage in election-related spending. This is another way for companies to adhere to the Framework's third-party disclosure requirement. It provides information on where the company's political money ends up and what it enables.

✓ **Disclosure that the company annually reviews** the candidates and political organizations that its contributions directly or indirectly support to ensure that the positions held by those candidates do not conflict with the company's core values and policies.

# What types of disclosure does the Framework NOT require?



Disclosure of corporate PAC spending.



Disclosure of dues and other payments made to trade associations that **do not engage in election-related spending**.



Reports from other third-party groups that **do not engage in election-related spending**. This includes 501(c)(4) groups. The distinction between groups that do and do not engage in election-related spending is laid out in the 2023 CPA-Zicklin Index and was added at the request of companies to clarify what disclosure covered.

# What actions are required of a board of directors to adhere to the Framework's Item 12?

Item 12 states: *"The board of directors shall, independent of this review, consider the broader societal and economic harm and risks posed by the company's political spending."*

This provision is intended to help companies adapt their approach to election-related spending to address emerging and long-term risks posed by this spending. Instituting processes to routinely review the broader impacts of electoral spending enhances the board's ability to protect the company. Finally, given the growing interest in corporate citizenship among shareholders, consumers, employees and other stakeholders, it is critical for corporate leaders to proactively and holistically assess the risks as well as the impact and benefits of corporate political giving.

## Item 12 requires Directors to do the following:

- ✓ **Consider the broader policy, political and societal environment** the company needs in order to operate, compete, grow and thrive.
- ✓ **Consider the impact of the company's election-related spending on this broader environment.** This may include more traditional reasons for a corporation's election-related spending, such as access, regulation and taxation, but Directors also should consider the other consequences of their contributions, including broader societal impacts (for example, gerrymandering, controversial lawsuits, and legislation that creates conflicts with company policies and positions.) This is intended to be an independent and more comprehensive review of the impacts of company electoral spending beyond the immediate moment.
- ✓ **Address areas of highest risk or greatest opportunity** in the long term, based on a thorough annual assessment of these risks and benefits.

# Endnotes

- 1** For further discussion about these material risks see the 2021 report from the Conference Board [Under a Microscope: A New Era of Scrutiny for Corporate Political Activity](#), the 2022 CPA report [Practical Stake](#) and 2023 publication [“Looking Behind the Curtain”](#).
- 2** The [Erb Principles for Corporate Political Responsibility](#) complement the Framework by providing a thought process that helps leaders make difficult judgment calls related to political influences of all kinds, including the broader societal and economic goals, harms or risks. The Erb Principles are a useful tool to help in implementing Framework Item 12 (see below). In addition, they support the Framework by listing it as the first action companies should take to translate broad principles into concrete, measurable action.
- 3** Only a handful of 501(c)(4) groups engage in election-related spending. 501(c)(4) groups active in political spending include One Nation, the American Action Network, Majority Forward, and House Majority Forward. The Framework only requires companies receive reports from groups that engage in election-related spending.
- 4** Only a handful of trade associations engage in election-related spending. Trade associations active in political spending include the US Chamber of Commerce, the Pharmaceutical Research and Manufacturers of America, the American Gas Association, that Edison Electric Institute, and the American Chemistry Council. The Framework only requires companies receive reports from trade associations that engage in election-related spending.



## CPA-Zicklin Framework for Corporate Political Spending

### *Preamble*

The heightened risk posed by engaging in political activity makes it paramount that companies adopt a code of conduct to govern their political participation. Whether a company is directly contributing to or spending in elections or indirectly participating through payments to political or advocacy organizations, a code commits senior management and directors to responsible participation in our nation's politics. The code is a public commitment to employees, shareholders and the public to transparency and accountability. It not only mitigates risk but also demonstrates the company's understanding that its participation in politics must reflect its core values, its respect for the law and its responsibilities as a member of the body politic.

With investors and the wider public placing ever more emphasis on companies being responsible members of the broader society and accountable participants in the democratic process, a code becomes an essential tool for meeting those demands. It is also an element of Corporate Social Responsibility. An indication of the importance of this is the Business Roundtable's Statement on the Purpose of a Corporation (August 2019) which addresses the relationship companies should have with a full range of stakeholders.

The scrutiny that a company's election-related spending is receiving, how the spending aligns with a company's values, and how it affects the wider society and other stakeholders require the board and senior management to pay close attention to where the company's money goes and its wider consequences. In the end, directors and officers are responsible and accountable for the political choices and broader impact that may result from their company's election-related spending, no matter how financially immaterial it may seem.

The model code is intended as a guide for companies that seek to:

- be responsible members of society and participants in the democratic process and responsive to the range of stakeholders, in both letter and spirit,
- be recognized for their leadership in aligning corporate integrity and accountability with codified values,
- prudently manage company resources, and
- avoid the increased level of reputational, business and legal risk posed by the seismic shifts in how society engages with and scrutinizes corporations. The risk is exacerbated by the evolution of social media and a resurgence of activism in civil society.



Companies are encouraged to develop standards and procedures beyond those outlined in the model code that demonstrate their commitment to ethical behavior as they engage in political activity. At the same time, companies are discouraged from making accountability and responsibility claims that, in any way, are incomplete, exaggerate accomplishments, or otherwise lack integrity. Reputation for adherence to the Framework must be earned, deserved, and countenanced by responsible parties.

## ***Framework***

1. Political spending shall reflect the company's interests, as an entity, and not those of its individual officers, directors, and agents.
2. In general, the company will follow a preferred policy of making its political contributions to a candidate directly.
3. No contribution will be given in anticipation of, in recognition of, or in return for an official act or anything that has appearance of a gratuity, bribe, trade or quid pro quo of any kind.
4. Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.
5. The company will not pressure or coerce employees to make personal political expenditures.
6. All corporate political expenditures must receive prior written approval from the appropriate corporate officer.
7. The company will disclose publicly all direct contributions and expenditures with corporate funds on behalf of candidates, political parties and political organizations.
8. The company will disclose dues and other payments made to trade associations and contributions to other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the specific political activities undertaken.
9. The board shall require a report from trade associations or other third-party groups receiving company money on how it is being used and the candidates whom the spending promotes.
10. The board of directors or an independent committee of the board shall receive regular reports, establish and supervise policies and procedures, and assess the risks and impacts related to the company's political spending.
11. The company shall review the positions of the candidates or organizations to which it contributes to determine whether those positions conflict with the company's core values and policies. This review should be considered by senior management and the full board of directors annually.
12. The board of directors shall, independent of this review, consider the broader societal and economic harm and risks posed by the company's political spending.

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