



# On anniversary of the Capitol attack, companies face new pressures to disclose political spending

[On anniversary of Jan. 6, companies face new scrutiny of political spending - MarketWatch](#)

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## Shareholders, consumer groups and lawmakers seeking more details, better oversight of corporate political outlays

Two years after the Jan. 6, 2021, attack on the U.S. Capitol sharpened shareholders' focus on corporate political spending, major U.S. companies are facing new pressures to better monitor and disclose how they dole out cash in Washington, D.C.

The anniversary of the attack comes as public companies and shareholders are gearing up for what promises to be a contentious proxy season, experts say, when shareholders will be asking not only for more comprehensive details on companies' political outlays, but also for better oversight of how that spending aligns with corporate values. And with a closely divided Congress dimming hopes for legislative remedies, some lawmakers and consumer advocates are pressing President Joe Biden to help address the transparency issue by issuing an executive order requiring federal contractors to disclose their political spending.

Asked about the potential for such an order, a White House official told MarketWatch that the President "continues to support Congressional action to get dark money out of our politics," adding, "we will continue to assess administrative actions to guard against corruption and ensure that government works for all people, no matter wealth or privilege."

The pressures are mounting even as the \$1.7 trillion federal spending bill passed in late December once again includes a budget rider that has been in place for several years blocking the Securities and Exchange Commission from finalizing any rule on political-spending disclosure.

The Jan. 6 attack prompted many companies to pause and reassess their political spending and spurred shareholders to ask more questions about how corporate dollars are influencing elections. Although the event helped accelerate a years-long trend toward more transparency, advocates of better disclosure say much work remains to be done.

“There’s a long way to go,” said Josh Zinner, CEO of the Interfaith Center on Corporate Responsibility, a shareholder advocacy group. “As investors, we’re concerned not just with disclosure, which is really critical, but also with the oversight inside companies,” regarding how political spending aligns with stated core values, he said.

While some companies said after Jan. 6 that they would stop contributing to politicians who fanned the flames of the attack, the fact that companies aren’t required to disclose all their political spending means “there’s no way for investors or the public to follow up and see if they’re truly putting their money where their mouths are,” said Allison Herren Lee, a former Democratic commissioner at the Securities and Exchange Commission and currently an adjunct professor and senior research fellow at New York University School of Law. Members of Congress who voted against certifying the 2020 presidential election have received over \$69 million in corporate or industry money since Jan. 6, 2021, according to Citizens for Responsibility and Ethics in Washington, a nonprofit government watchdog organization.

An [index](#) of corporate political spending transparency and oversight has found general improvement among the very largest U.S. companies, but many other big companies are still lagging behind. A record 78% of Standard and Poor’s 500 companies disclosed some or all of their political outlays or prohibited at least one type of spending in 2022, according to the index compiled by the Center for Political Accountability, a nonprofit advocacy group, and the Zicklin Center for Governance and Business Ethics at the University of Pennsylvania’s Wharton School. The remaining companies in the broader Russell 1000 group of largest U.S. companies, which the index evaluated for the first time last year, generated far lower scores than the S&P 500. Only about one out of 10 companies in the non-S&P 500 segment of the Russell 1000 had general board oversight of political spending, for example, compared with nearly two-thirds of the S&P 500, according to the index.

Companies receiving high marks in the 2022 index include HP Inc. [HPQ, 1.84%](#) and Visa Inc. [V, 1.99%](#). Some of the larger companies in the S&P 500, however, including Berkshire Hathaway Inc. [BRK.B, 1.04%](#) and CME Group Inc. [CME, +0.39%](#), still score poorly on the CPA-Zicklin index. Berkshire and CME did not respond to requests for comment.

### ‘Serious risks’ for companies that don’t closely monitor spending

For companies, Jan. 6 highlighted the need for policies to govern political outlays, said Bruce Freed, president of the Center for Political Accountability. His group is talking with companies about adopting a model code of conduct on corporate political spending, a framework for governing and tracking the impact of political spending.

Drawing on that model code, the group’s shareholder partners have already filed new resolutions for the 2023 proxy season with Amazon Inc. [AMZN, -0.38%](#), Eli Lilly & Co. [LLY, 0.39%](#), and a handful of other major companies, seeking better disclosure of political spending through trade associations and other third-party organizations. Companies “run serious risks,” including potential backlash from employees and consumers, when they give to third-party groups and “then lose control over where the money ends up,” Freed said.

Amazon said it provides responses to shareholder proposals in its proxy, which will be published in April. In response to a 2022 shareholder proposal seeking full disclosure of Amazon’s lobbying spending, the company said it reports direct and indirect lobbying spending, including payments to

U.S. trade associations and other organizations receiving contributions over \$10,000, and has a process to oversee those activities. Eli Lilly declined to comment.

Many more proposals related to political spending are likely to be put to shareholder votes at company annual meetings this spring, experts say, as investors focused on the issue build on their successes in recent years. Among the roughly 300 institutional investors who are members of the Interfaith Center on Corporate Responsibility, for example, shareholder resolutions broadly related to political spending and lobbying received average shareholder support in the mid-30% range and above in 2022—a level that’s often sufficient to generate some response from the company, experts say. Although it typically takes time to build support for new types of shareholder proposals, new resolutions in 2022 seeking better alignment between political spending or lobbying and corporate values or public commitments received some of the strongest support, said Sehr Khaliq, the Center’s director of evaluation.

Some critics see many of the shareholder proposals related to political spending pushing companies in the wrong direction. Directors and executives “have to act in the objective best interests of companies without taking their personal policy preferences into account,” said Scott Shepard, director of the National Center for Public Policy Research’s Free Enterprise Project, a conservative shareholder activism program. To the extent the group gets involved in shareholder proposals related to political spending, he said, its focus is “aligning political donations with fiduciary obligations. Get back to neutral, and get back to objectively, non-partisanly running your companies.”

The upcoming proxy season is likely to bring even greater interest and increase in shareholder proposals related to political spending, Lee said, “simply because it’s the only mechanism” for change. Whereas shareholders who pushed companies for climate-related details in years past may be able to take a breath on that issue now that the SEC has issued a proposed rule to require those disclosures, shareholders “don’t have that luxury with political spending,” she said.

The Biden administration, however, has “the ability, through the stroke of a pen, to require all large federal contractors to disclose spending,” said Lisa Gilbert, executive vice president of nonprofit consumer advocacy group Public Citizen. The top 10 federal contractors received about \$214 billion in federal revenue in 2020, and those companies’ PACs spent about \$25 million in that election cycle, according to a Public Citizen report.

Public Citizen within the past year has begun to push the Biden administration to issue an executive order on federal contractors’ political spending disclosure, Gilbert said. Democratic Senators including Patty Murray of Washington, Ron Wyden of Oregon and Elizabeth Warren of Massachusetts, as well as 65 House members, also last year called for such an executive order.

A spokesperson for defense contractor Lockheed Martin Corp. [LMT, 0.52%](#) said the company does not comment on pending legislation or executive orders. Several other major federal contractors, including Boeing Co. [BA, 1.59%](#) and Amazon, declined to comment on the push for the executive order.