Guide to Corporate Political Spending

Practical actions for decision-making and safeguarding the company in a dynamic risk environment

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The risks associated with political spending have increased as domestic politics have become more polarized and the role of the corporation in politics has become a matter of public attention and debate. Companies cannot avoid the scrutiny and the risks posed internally and externally by their political spending, the candidates and issues they support, and the outcomes and policies they advance. This Guide further deals with intimidation by those in power and the risks of conflicted company political spending.

The purpose of the Guide is to help safeguard companies as they make political spending decisions in today’s charged environment. It lays out the risks and challenges that management and boards face in establishing political spending policies, making spending decisions, conducting due diligence, and meeting the expectations of stakeholders.

The Guide complements the CPA-Zicklin Model Code of Conduct for Corporate Political Spending and the Erb Principles for Corporate Political Responsibility. It can also be used independently to improve how companies make political spending decisions.
The Guide provides a pragmatic checklist for:

- Helping companies manage the risks that stem from participation in a political arena fraught with economic and reputational risk.

- Strengthening existing political spending policies and providing specific actions for company leaders for updating their approach to political spending.

- Addressing the heightened risks that companies face from contributions to third-party groups, specifically 501(c)(4) organizations engaged in political spending, trade associations, super PACs and 527 committees.

- Assisting companies in navigating the fact that they can no longer publicly claim to support some aspects of a candidate’s platform while disavowing others. The challenge facing a company is that when it supports a candidate, all of the candidate’s actions and positions will be associated with the company.

- Protecting the democratic institutions and rule of law that companies need to operate, compete, and thrive.
The changes in the social and political landscape have heightened the risks of, and brought greater scrutiny for, company political spending with corporate treasury funds.

When making political spending decisions today, company leaders and decision-makers are required to balance sometimes competing priorities in their political engagement. While the need to balance priorities is not novel, the scrutiny, consequences and risks associated with the decision to engage in political spending have dramatically changed.

Establish clear, documented internal procedures and policies that are transparent and well-governed, to ensure that decisions regarding political spending are aligned with stated company values, business goals, policies and positions. Ensure that decisions are made at a level within the organization commensurate with the risk that could reasonably result from the decision. This includes board engagement where appropriate.
Conflicts arise when a company’s political contributions are perceived to undermine the interests of the company’s stakeholders, public values or brand. When this happens, a company’s reputation can be affected.

The recipient of a company’s contributions may be the target of negative attention for positions and actions at odds with the values, policies and positions of the company or its stakeholders. This applies equally to contributions that a company makes directly to a candidate, or to third-party groups that support candidates who hold positions or support measures that are at odds with the company’s policies, positions and values, or that may be perceived to be contrary to the interests of its investors, employees or customers.
Articulate core corporate values and principles to guide responsible political engagement and the specific corporate policies and positions that stem from those values and principles.

Establish a standard process to examine each political contribution and consider the consequences that could reasonably arise from the candidate’s or third-party group’s actions if they conflict with the company’s positions and policies or business objectives.

Assess whether actions above may be at odds with the company’s commitment to its values, policies and positions. This includes looking beyond a possible recipient’s track record to consider potential economic and reputational risks as well as impacts on democratic institutions.

Evaluate each instance of political spending using the assessments made above. i.e. Does supporting a candidate’s election actually reflect the company’s long-term interests and objectives? Will the company’s stakeholders agree?

Support those candidates who align with the espoused core values of the company.

Ensure that the above analysis is considered at the appropriate level within the company so that any required actions are guided by, and reflective of, the company’s values. This can include the company’s board.

Bar political contributions that facilitate illegal or unethical actions or that can be seen as, or have the effect of, being underhanded and manipulating an election.

Confirm that the proposed contributions are legal and ethical.
Company leaders are sometimes unaware of the impacts of political spending made through third-party spending.

The company’s money may be used to support candidates and policies at odds with the company’s values.

Challenge 3

Refine internal processes to comprehensively examine and weigh all risks, narrow and broad, of each political expenditure, including those made indirectly via third-party political groups. It is recommended that a company:

Require a report from third-party recipients of corporate treasury funds that details which candidates and issues these funds are used to support.

Apply the tests above (see Challenge 2) to the actions of these candidates.

Contribute only to outside organizations that publicly disclose the candidates and issues that the organization supports and the reasons for that support.
Siloed decision-making within companies contributes to conflicts between corporate values and the effects of political spending.

Ensure the company is speaking with a single voice. Encourage more active and dynamic engagement between public affairs, government relations and other internal actors responsible for promoting the company’s values, policies and positions and those directing political spending. Foster more inclusive and transparent decision-making that ensures the company’s contributions carefully account for potentially competing stakeholder interests, conflicting business goals or values.
Companies are increasingly subject to attack and intimidation from officeholders, many of whom receive financial support from the very companies they are targeting.

These tactics have damaged companies in material ways and create a hostile and unpredictable environment in which companies may struggle to operate effectively.

**Direct** corporate contributions to politicians who refrain from punitively targeting companies for their policy decisions, personnel practices, public statements, or other values important to company’s success and integrity.