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CPA's Guide to Corporate Political Spending: A Practical Checklist for Management

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Companies today accept that political spending poses serious risks. A *2017 Iowa Law Review* article, "Campaign Finance Reform Without Law," spotlighted how companies increasingly were adopting political disclosure and accountability policies to better manage their spending. As the article pointed out, the number of companies doing so had reached the point where "private ordering" made those policies and practices the norm.

Since then, the Center for Political Accountability and the University of Michigan's Erb Institute have gone further and developed frameworks for corporate political engagement. The Center, specifically, focused on election-related spending in developing the CPA-Zicklin Model Code of Conduct for Corporate Political Spending. The Erb Institute's Principles for Corporate Political Responsibility are more general and included lobbying and general company conduct.

However, a gap remained to be filled. The CPA-Zicklin Model Code identified a company's broader societal and democracy obligations and responsibilities that should govern its political spending decisions. But it did not spell out best practices for implementing the Code. What concrete steps and actions should management follow as it makes spending decisions and evaluates the accompanying risks?

This void has been filled by the Center for Political Accountability's recently released *Guide to Corporate Political Spending*. Written in collaboration with senior executives at companies that are among CPA-Zicklin Index Trendsetters, the *Guide* was requested by several leading companies to assist management in dealing with the challenges they face when making political spending decisions.

As the preamble states, "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 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 heart of the *Guide* is a pragmatic checklist for management to use in making and evaluating spending decisions. Here are the key elements:

- Recognize the heightened risks that a company faces from contributions to third-party groups, specifically 501(c)(4) organizations engaged in political spending, trade associations, super PACs and 527 committees. The company needs to know where its money ultimately ends up, what causes and candidates it advances and what risks it is assuming.
- Understand that public companies 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.
- Align the company’s political spending with its core values, policies and positions.
- Avoid siloed decision-making. Political spending should fairly reflect the views and interests of the company’s various stakeholders. Companies benefit from active and dynamic engagement among public affairs, government relations and other internal actors responsible for promoting the company’s values, policies and positions and those making political spending decisions.
- 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.
- Protect the democratic institutions and rule of law that companies depend upon to operate, compete, and thrive.