With the U.S. presidential election fast approaching, shareholders are changing their demands for political spending transparency.

As of May 8, 2024, the 31 political spending shareholder proposals subject to a vote at U.S.-listed companies have averaged 26.1% support, compared to 56 receiving 25.1% average support throughout 2023.

By way of comparison, climate change and human rights proposals are averaging 17.4% and 15.2% support, respectively, at U.S. companies, according to Diligent Market Intelligence's ***Voting*** module.

In previous years, the majority of shareholder proposals on this topic have asked public companies for disclosure on which organizations received donations and how much money was given. Increasingly, investors are seeking to marry the issue to more expansive statements companies have made about corporate purpose, asking for reporting on how donations align with a company's values on climate change and diversity.

The initiative is part of an effort to hold CEOs accountable to a period of greater environmental and social activism, including the Business Roundtable statement in 2019 that declared stakeholder, not shareholder capitalism, to be the primary purpose of its 181 members.

"It is important for companies to provide comprehensive disclosure of political spending and lobbying payments, but how these payments align with corporate values and policies is the increasing focus in company engagements," Timothy Smith, senior policy advisor at the Interfaith Center on Corporate Responsibility (ICCR), told me.

"As a practical matter, having strong disclosure and transparency policies in place means a company is in a better position to have all the necessary information available and organized to do an alignment analysis or disclose spending by third-party groups to which the company contributes," Dan Carroll, vice-president for programs and council at the Center for Political Accountability (CPA), told DMI in an interview.

These campaigns increasingly have an ESG angle. As ESG becomes more politicized, businesses that donate to trade associations and non-profit organizations that actively oppose ESG legislation are more likely to be targeted.

"The question of congruence or alignment is central in climate change discussions," Smith said. "Investors are asking companies to study and evaluate what trade associations and not-for-profit organizations they donate to and what they are doing to impact public policy on climate. For example, are they using member dues to lobby against climate legislation?"

In part, the shift away from spending disclosure and toward congruency reporting is also a result of enhanced transparency. Smith noted that more U.S. companies are proactively disclosing their political spending and are open to holding meaningful dialogue on the topic, promoting shareholders to make more ambitious asks.

According to the CPA-Zicklin Index, which **tracks** political donation transparency among U.S. issuers, 73% of S&P 500 constituents have implemented board oversight measures concerning political spending, while 78% of constituents fully or partially disclosed their political spending in 2023.

"The CPA-Zicklin index has stimulated a willingness by companies to enhance their political spending disclosures, which receives positive ratings and commendations," Smith of ICCR said. "Companies often proudly point to their positive ratings, which creates a magnet effect and encourages peers to do the same."

"The index is recognized by companies as credible and serious. It is respected," Bruce Freed, CPA president, told DMI. "Increasingly, companies want to be 'Trendsetters' (achieving scores of 90+ out of 100) that they can tout to show their best practices. In the 2023 index, 39% of the S&P 500 were in the top quintile."

Third-party databases are also enhancing disclosure of corporate spending. Government watchdog OpenSecrets **launched** its new federal and state lobbying database in January, allowing users to more easily track corporate spending across 19 states. According to the database, companies and organizations lobbied state governments to the tune of $1.4 billion in 2023. Notable top spenders included Amazon, Meta and Chevron.

With political donation data now more accessible to stakeholders, investors are keen to make sure companies are reviewing and regulating these payments.

One such example was ExxonMobil. In response to shareholder proposals seeking climate-related lobbying and political spending disclosure securing 55.6% and 30.5% support at its 2021 annual meeting, the company issued its inaugural lobbying disclosure report.

In March, U.K. consumer goods giant Unilever also committed to annually reviewing its memberships and **published** its first ever climate lobbying review. Climate Action 100+ commended the review for being a "clear and accurate account" of Unilever's industry associations' positions and engagement activities.

More companies may find themselves under pressure to enhance their reporting and oversight processes, as peers and industry leaders take the plunge.

"Conflicts between the consequences of a company’s spending and its core values, policies and positions pose risk on many levels – internal and external, as well as among employees and consumers," Freed said. "An issue with some of the requests for congruency reports is that the analysis is left to the companies. Disclosure of the underlying spending and the ultimate recipients is essential for ensuring the analysis is complete and dispassionate."