

Directors & Boards

The New Rules of Political Spending Oversight

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Rising reputational, legal and shareholder risks are pushing boards to treat political spending as a governance priority.



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Corporate political spending has entered a new era and is no longer just a government relations matter, but one that requires the attention of the board. This recasting of political spending is reflected in [“The 2025 CPA-Zicklin Index of Corporate Political Disclosure and Accountability,”](#) the annual benchmarking of the political disclosure and accountability practices of the largest U.S. public companies. A decade ago, the index rated only 28 companies as “trendsetters,” meaning their policies provided for broad disclosure and board oversight of their political spending. The most recent “CPA-Zicklin Index” found 112 companies to be trendsetters, a 400% increase.

This jump in companies with comprehensive policies governing their political spending reflects a recognition by these companies that corporate political contributions pose significant risk and must be governed accordingly. Directors and senior management have accepted the responsibility for assuring that the company's political spending does not threaten shareholder value and is consistent with the public values and positions of the company.

The political environment has also changed and heightened the risk. It can appear that companies are in a no-win situation. Businesses may feel that contributing is necessary to maintain access or avoid negative regulatory or legislative outcomes. Declining to contribute runs the risk of alienating a powerful elected official. Contributing, however, carries a host of risks:

- Companies can face consumer backlash in the form of boycotts
- Employee dissent connected to candidates or causes the company is perceived to support
- Spending of company funds that can run counter to a company's stated values or topics, like diversity, sustainability and environmental goals
- Perceived links to corruption tied to corporate political spending
- Political activity exposing companies to compliance and legal risk
- Corporations losing control of funds through third-party organizations, such as 501(c)(4) groups or trade associations, increasing the risk of misalignment with company values

Together, these risks create a serious challenge for boards and senior management. The question is not whether companies should engage, but how to do so effectively while discharging their obligations to their shareholders, employees and the public.

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How are companies responding to that challenge? They are acting on their own through private ordering. That is when, in the absence of government regulation, companies create their own rules and standards for managing a common problem. Rather than waiting for government to act, companies and investors are proactively adopting transparency and accountability practices that protect the company and meet the expectations for good actors within their own sectors.

As companies are being judged from various angles by different sectors of society, complying only with existing law is no longer sufficient. As more and more companies

adopt full disclosure, accountability and oversight policies, those that don't will find that shareholders are not satisfied with inaction and the assumption of risk.

For boards and directors, the first step for due diligence is visibility of spending. Directors cannot oversee and make intelligent judgement calls if they are blind to political spending. Comprehensive reporting of political spending, including spending through third parties such as advocacy organizations operating under Section 501(c)(4) of the Internal Revenue Code, trade associations and super PACs groups, is essential to regaining control over corporate spending.

Adoption of formal governance structures by corporate leaders is the best way to exercise control over spending. Over the years, the "CPA-Zicklin Index" has shown that companies have successfully created internal practices to govern their corporate political spending.

This was the focus of a recent conference titled "Corporate Political Responsibility: Maintaining an Ethical Compass in Turbulent Times" at New York University's Stern School of Business. Joined by academics from leading business and law schools, shareholders and companies themselves, this group discussed how companies and directors can maintain ethical independence in an environment fraught with political landmines.

Twelve companies participated in the conference: Prudential Financial, Merck, Phillips 66, Consolidated Edison, ConocoPhillips, FirstEnergy, Becton Dickinson, U.S. Bancorp, Altria, Prologis, Celanese and General Motors. This varied group ranging across multiple sectors spoke about the importance of recognizing and addressing the risks of hidden and undisclosed spending. The collective action of these companies demonstrated how companies have acted on their own without federal requirements. Moreover, several have taken or are in the process of taking the next step of committing to follow the CPA-Zicklin Framework for Corporate Political Spending.

The framework builds on the "CPA-Zicklin Index" and is intended as a guide for companies to be responsible members of our society and democracy, prudently manage company resources, and avoid the heightened reputation, business and legal risks posed by the current political environment. Four companies – FirstEnergy, Sempra, Clorox and Nucor Corp. — already have policies in line with the framework.

At the conference, a leading New York University law professor noted the perception of corruption by the public at large when discussing corporate political spending. He compared it to the American railroad industry and its tycoons in the late 1800s. To escape being becoming entwined in corruption comparable to the those of the railroads, the framework has been described as a "heat shield" for corporations that allows them to decline corporate political contributions that may not be in sync with company values.

Corporate political spending sits at the intersection of legal and reputational risk. Directors do not need to take positions on each political issue, but they do need to ensure that their companies have systems and policies in place to manage and mitigate the risks inherent in political spending.

Private ordering has shifted the norm for how companies and their directors manage political spending to the new reality, which is defined by transparency, accountability, good governance, and rising expectations from shareholders and the public at large. Boards that recognize this shift and take measures to build solid defenses against these risks will be better positioned to protect their companies. Those that do not will find that corporate political spending, once a remote and hidden aspect of business, will become a completely avoidable pothole.

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