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Online Exclusive

When Political Spending Becomes a Corporate Liability

By Noah Kirsch **11/18/2026** Save for Later

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Corporations are donating more money to political campaigns, creating new board oversight challenges.

Key Points

- Record political spending creates reputational, legal, and financial risk that directors should oversee.
- Written policies covering corporate political giving, PAC spending, and executive donations set clear expectations and reduce confusion about what is acceptable.
- Directors should request regular contribution metrics, assign committee oversight, and document discussions to demonstrate proactive accountability.

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The 2026 midterms were the costliest elections in US history, with more than $11 billion spent on political advertisements. Candidates, political action committees (PACs), and trade associations e›ed their war chests by tapping both individual and corporate donors.

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A 2026 analysis from The Wharton School of the University of Pennsylvania's Impact, Value, and Sustainable Business Initiative and the Center for Political Accountability found that "corporate donations to political campaigns are at an all-time high, with billions of dollars flowing into individual candidates' campaigns and third-party entities." The report noted that companies are navigating a "complex landscape where action or inaction can attract both support and criticism"—and where donations to political causes are increasingly scrutinized.

Political activity by companies and executives carries substantial risks, including potential backlash from shareholders, regulators, employees, or the general public. As a result, boards should ensure that they work with their management teams to create clear guidelines for political spending, experts consulted for this article told NACD.

"The role of directors is absolutely critical in terms of the policies that they set for how the company should engage in political spending or not engage in spending, and the due diligence that they conduct," said Bruce Freed, president of the Center for Political Accountability.

In fact, Andrew Chrostowski, NACD.DC®, believes setting parameters around political donations is a fiduciary obligation. Chrostowski is a director of L.G. Everist. "There's no question that you can create reputational, legal, and financial risk whenever this happens. And so boards have to oversee what's happening," he said.

Differing Rules

Federal law regulates corporate political spending far more intensely than it does individual spending. Corporations are not permitted to donate directly to candidates or campaigns, but they can influence elections in other ways.

For instance, employees can voluntarily donate to a PAC their company has created, which can then disburse donations in a way that advances the firm's interests without violating regulations. The US Federal Election Commission allows for other direct and indirect corporate contributions, such as gifting legal and accounting services to a campaign or party committee. Companies can also sponsor election-related communications, "as long as they are not coordinated with a candidate or party committee."

In addition, firms can give money to think tanks, lobbying groups, or organizations with a specific political or economic viewpoint, such as a chamber of commerce, said Sheila Cheston, a professor of corporate governance at Middlebury College and director of Digimarc Corp.

The joint analysis from Wharton and the Center for Political Accountability found that since 2010, "more than $1 billion has flowed from corporations and trade associations to six major 527 [organizations]" that are explicitly political: the Republican Governors Association, Democratic Governors Association, Republican Attorneys General Association, Democratic Attorneys General Association, Republican State Leadership Committee, and Democratic Legislative Campaign

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Committee. About 38 percent of corporate spending has gone to Democratic groups, while most of the remaining balance has gone to Republican entities.

The report further noted that donations made by executives are separate from a corporation's direct spending and done in their individual capacity, though "stakeholders often perceive those donations as reflective of the company itself because the donors may be seen as extensions or spokespersons for the firm."

Boards should pay attention to what kind of reaction there may be to donations, Freed said. Specifically, how do donations by executives "affect the company's reputation?"

Outlining Risks

A key risk of political contributions, either from a corporation or a senior executive, is the potential for blowback, Freed said. This could happen for multiple reasons.

One example is a donation seen as improperly attempting to help the firm gain regulatory approval or influence political officials, even when gifted through the proper channels. "The perception of corruption … becomes a major problem and risk for companies, especially when you take a look at media coverage," Freed said.

Firms also risk backlash by contributing to polarizing causes or groups inconsistent with their stated values and principles. Failing to consider the perception of political gifts can alienate consumers and impact employee morale, Freed said. In certain cases, companies have faced boycotts from consumers upset by their political activity, he observed. These reputational issues can be extremely difficult to reverse.

> "On the one hand, you want to respect the individual rights of a senior [executive] to participate in the political process. On the other hand, you want to be realistic about the potential implications for the company." —*Shelia Cheston*

Chrostowski echoed this point. Company leadership should ask whether it wants to potentially "alienate 50 percent of its customers and stakeholders by taking a position on something."

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It is generally safer for companies to contribute to causes directly connected to their businesses, Chrostowski noted. For instance, an international distributor might reasonably weigh in on tariff policy or contribute to trade groups seeking to influence legislation on that topic.

Given the gravity of risks, directors should consider routing discussions about political spending to the audit committee, risk committee, or the whole board, Chrostowski said. Boards should also ensure that donations comply with campaign finance laws, such as PAC contribution limits and state rules against coordinating directly with a candidate.

What Boards Can Do

Overseeing executives' personal political spending is a delicate issue, Cheston said. "On the one hand, you want to respect the individual rights of a senior [executive] to participate in the political process," she said. "On the other hand, you want to be realistic about the potential implications for the company."

Many companies don't require executives to receive approval before making individual donations, "nor should they," Cheston said. Nonetheless, senior leaders should consider consulting with others, including board members, to help ensure they don't inadvertently risk damaging their company's reputation. "A conversation is almost never a bad thing," she said.

Chrostowski offered similar guidance, noting that there should be guidelines about senior executives' political activity, similar to a corporate social media policy. "There is a balance of culture, risk management, and trust," he said.

"It's critical to have written policies governing this kind of stuff," Chrostowski added, not just to mitigate the risk of reputational harm but also to eliminate confusion about what is and isn't acceptable. For example, he said, "while absolute bans on personal donations are not feasible or desirable, there should be a requirement to have C-suite executives report and preclear personal political contributions and to refrain from activities that use their title and position to imply company endorsement."

Chrostowski outlined several questions that directors can ask management about political contributions, including:

- Does the organization track contributions made by key executives?
- Does the company identify and track contributions to trade associations, political parties, PACs, or other entities?
- Has the board assigned oversight responsibility to the proper committees?
- How does political spending align with the company's purpose and strategy?
- What risks are associated with political expenditures, and what people or groups are on the opposite side of whatever this policy might be?

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The rules regarding a corporate PAC's spending can be somewhat more straightforward, Cheston said. The head of government relations—or another individual tasked with overseeing political expenditures—should talk to the board or a board committee about the guidelines they have created.

Broadly, directors might ask to be keyed into the PAC's spending decisions on a quarterly basis. "At a macro level, guidance for PAC spending tends to focus on supporting candidates who can help advance the company's objectives," she said.

Chrostowski said that much of the board's responsibility is to promote transparency. He encouraged directors to ensure they receive clear metrics about political contributions and to carefully document discussion of these topics during committee and board meetings.

"Ignorance is not an excuse when the board is held accountable for these actions," he said. "[Directors] have to be proactive."

For more resources to help your board navigate the effect of changing business policies, visit Navigating Changing US Policy: Key Board Implications.

The views expressed in this article are the author's own and do not represent the perspective of NACD.



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This article was informative.