What Makes Meaningful Disclosure of Corporate Political Spending?

Key Elements of Corporate Political Disclosure & Accountability

I. Policies
   a. Ways in which we participate in the political process;
   b. Who makes spending decisions; and
   c. Our commitment to publicly disclose all of our expenditures, direct and indirect.

II. Disclosure
   a. Itemized Direct Expenditures
      i. State-level candidates and committee contributions;
      ii. Ballot measure spending; and
      iii. Independent expenditures.
   b. Itemized Indirect Expenditures
      i. Trade association dues and other payments, including special assessments used for political purposes; and
      ii. Payments to other tax-exempt organizations [527 groups, super PACs, and 501(c)(4) “social welfare” organizations] used for political purposes.

III. Oversight
   a. Board of directors regularly reviews our spending, direct and indirect, and existing policies.

By setting out objective criteria for political spending, a company provides a context for decision-making. An articulated policy provides a means for evaluating benefits and risks of political spending; measuring whether such spending is consistent, and is aligned with a company’s overall goals and values; determining a rationale for the expenditure; and judging whether the spending achieves its goals.

Disclosure of political spending from corporate treasury funds gives shareholders the information they need to judge whether corporate spending is in their best interest. It identifies possible sources of risk. It also helps ensure that board oversight is meaningful and effective.

Board oversight of corporate political spending assures internal accountability to shareholders and to other stakeholders. It is becoming a corporate governance standard.
III. Knowledge: What do directors need to know?
- Basics of direct and indirect political spending, applicable laws and regulations.
- Risks posed by political spending, including failure to follow company contribution policies; contributions that conflict with company values, positions or business strategies; contributions that hint of quid pro quos; and changes in company spending patterns.
- Red flags indicating possible questionable behavior, conflicts or problems.

IV. Policies: What should a company’s political spending policy include?
- The kinds of political spending the company will, or won’t, engage in.
- Decision-making procedures for political spending.
- Disclosure of any political spending, including payments to trade associations and 501(c)(4) organizations.
- Board oversight of political spending, including semi-annual reports made to a specified board committee (comprised of independent directors) and annual review by the full board.
- Compliance checks to ensure that management adheres to company policies.
- Reports by third-party organizations, including trade associations and 501(c)(4) groups, receiving corporate payments on their use of the company’s money politically and identifying their other contributors.

V. Review: How can directors conduct effective oversight?
- Ascertain how the company’s policies are carried out.
- Assess how the company’s compliance program is implemented.
- Determine the impact of political spending on stakeholders, the firm’s long-term interests, broader issues in which the company may have a stake, and the needs of the society in which the company operates.
- Obtain outside assistance or counsel for advice and expertise.