

Sticking to Business in the Boardroom

While politics are always on the radar, taking sides in an election could present business risks. By April Hall

Jon Hanson says his first board appointment was likely connected to his politics. Not necessarily because he was a Republican or a Democrat, but because of his relationships.

Hanson, the founder and chairman of Hampshire Real Estate Companies, was appointed to the New Jersey Bell (now Verizon) board after serving as finance chairman for Tom Kean's successful campaign for governor in the early 1980s.

By and large, directors say political discussions aren't appropriate in the boardroom. If anything, there should be a calculation of risks associated with election results, but no one should advocate for one candidate or another.

"I do not remember in the 40 years I've served on corporate boards ever having been part of a boardroom discussion that was, 'We're starting our board meeting. Let's talk. Who's going to be the next president or the next governor?'" says Hanson. "Do you have sidebar conversations? Sure — at lunchtime. It wasn't part of the board agenda."

"I am not seeing discussions in the boardroom around domestic politics except to comment that it is pretty dysfunctional these days and the election is a toss-up," says Maggie Wilderotter, who sits on the boards of several public companies, including Costco, Lyft, Chobani, Hewlett-Packard Enterprise and DocuSign.

However, corporations do take positions on politics by contributing to candidates or parties they see as supporting their businesses. Many will hedge their bets and contribute to both sides of the aisle, though not usually in equal amounts.

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"I was there because it was perceived that I was close to the new governor," he says. He was, but he says no board ever took advantage of that relationship during his tenure as a director.

vehicle for political donations, and while board members are welcome to also contribute, there is no mandate to do so. She says directors should be able to support candidates individually, even if their favorite is different from the corporation's.

"I do think candidate support and contributions are a personal decision, but I would expect them to be made without fanfare," she says.

Separating key stakeholders' political positions from the company is a fraught issue, says Bruce Freed. He is the founder and president of the Center for Political Accountability (CPA) in Washington, D.C.

Between the 2008 and 2018 election cycles, business PACs accounted for between 68.6% (\$310 million in 2009-10) and 72.8% (\$379 million in 2013-14) of all PAC spending in federal elections, according to a CPA report, "Collision Course: The Risks Companies Face When Their Political Spending and Core Values Conflict, and How to Address Them."

CPA does not take a position on whether corporations *should* make donations. It does recommend, however, that boards know why the company is donating to a PAC and whether that PAC is involved in any controversial issues that could damage the business or the business' reputation.

"Senior management and the board should know where the company is spending and where the money is ending up," Freed says. For instance, if a corporation donates to a state political party and then that money backs a candidate who sponsors a bill like the transgender bathroom law in North Carolina, that could be problematic.

Freed has followed campaign financing for 17 years and says he's noticed a change in how the public finds out about and reacts to corporate donations. And once again, it's due in large part to social-media-hungry millennials, who are reported to be hyperconscious of where social issues meet political ones.

"Criticism of a company could go viral and spread widely and far," he says. "We heard from a corporate secretary at a major company — a consumer-facing company — who said, 'We're concerned that a controversial contribution could lead consumers to shift to a competing product.'"

The story of high-end gym Soulcycle is an example of this. After reports that majority owner Stephen Ross would host a high-priced fundraiser for President Donald



JON HANSON
FOUNDER AND CHAIR,
HAMPSHIRE REAL
ESTATE CO

Public companies

CD&L
Prudential Financial Inc.
Encompass Health

Nonprofits

Atlantic City Development Corporation (board chair)

Other notable service

Former finance chair for Tom Kean's gubernatorial run
Adviser to former New Jersey governor Chris Christie
Former finance chair for Christie's gubernatorial election and re-election campaigns and Christie's presidential run in 2016
Former chair of the Governor's Advisory Commission on New Jersey Gaming, Sports and Entertainment



MAGGIE WILDEROTTER
CHAIRMAN and CHIEF
EXECUTIVE OFFICER,
GRAND RESERVE INN



Public companies

Costco
Lyft
Hewlett Packard Enterprise
DocuSign (chair)

Private companies

Tanium
Sana Biotherapeutics
Sonoma Biotechnology
Cakebread Cellars

Advisory

Blackstone
TSSP
Atairos
Okta

Other notable service

Commission on Enhancing National Cybersecurity under Pres. Obama
National Security Telecommunications Advisory Committee on Cybersecurity for Critical Infrastructure under Pres. Obama
Executive Committee of the Business Roundtable

Trump, the business sagged. A report cited in *The Atlantic* showed a more-than 12% decline in sign-ups for spin classes after news of the fundraiser became public. It was more than twice the dip the gym experienced during the same period the previous year. Ross also stepped down from the board of The Shed, a New York contemporary arts board, and the NFL's committee for social justice (he is the owner of the Miami Dolphins).

Hanson has never experienced such

backlash and remains active both personally and financially. He doesn't, however, see the value of outside politics in the context of fiduciary duties.

"I like to have discussions, but when you're finished, you should come to a conclusion," he says. "I find it very difficult to have a discussion that you'd want when some [directors] are Republican, some are Democrats, some are independents. You might come to a conclusion, but it isn't going to be meaningful." ■

PROTECTING THE COMPANY FROM POLITICAL SPENDING RISK

Some companies make hundreds of millions of dollars in political contributions to candidates or causes. But those contributions could lead to significant business risks, experts say.

The Center for Political Accountability, a non-government organization advocating for corporate political disclosure and accountability, released a new set of guidelines for corporate political spending, a "model code" for political spending that could mitigate these risks:

- Political spending shall reflect the company's interests, as an entity, and not those of its individual officers, directors and agents.
- In general, the company will follow a preferred policy of making its political contributions and expenditures on behalf of a candidate directly.
- No contribution will be given in anticipation of, in recognition of, or in return for an official act or anything that has appearance of a gratuity, bribe, trade or quid pro quo of any kind.
- Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.
- The company will not pressure or coerce employees to make personal political expenditures.
- All corporate political expenditures must receive prior written approval from the appropriate corporate officer.
- The company will disclose publicly all direct contributions and expenditures with corporate funds on behalf of candidates, political parties and political organizations.
- The company will disclose dues and other payments made to trade associations and contributions to other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the specific political activities undertaken.
- The board shall require a report from trade associations or other third-party groups receiving company money on how it is being used and the candidates whom the spending promotes.
- The board of directors or an independent committee of the board shall receive regular reports, establish and supervise policies and procedures, and assess the risks and impacts related to the company's political spending
- The company shall review the positions of the candidates or organizations to which it contributes to determine whether those positions conflict with the company's core values and policies. This review should be considered by senior management and the full board of directors annually.
- The board of directors shall, independent of this review, consider the broader societal and economic harm and risks posed by the company's political spending.

— April Hall