



A Corporate Insider on the Model Code: Invaluable Tool, Essential for Risk Management

By Rex Wackerle

Representing major corporations with the Federal Government for nearly 40 years, I viewed my position as akin to a risk manager. I was continually on the watch for opportunities to move our legislative and regulatory agenda forward while being aware of the political and reputation risks and rewards. For years, however, the overwhelming focus was much more on the legislative and regulatory side and to a much lesser extent, the political and reputational side.

Sometime beginning around 2007-08, there was a shift in the factors that impacted this imbalance. Changes in reaction to the economic downturn and the stresses that accompanied it; access to, and the prevalence of, social media; our more divisive and vocal politics; and our more socially aware and organized shareholders, employees and customers have led to a much steeper risk cliff on the political/reputation side of the scale.

Among the biggest risks that today's managers of corporate DC offices must be aware of are their corporate treasury contributions to political entities that turn around and pass the money on to others and candidates. Companies must do their best to know in whose pocket their money is ultimately ending up or face the consequences. These contributions speak for the business's position on various matters associated with the ultimate recipient, and companies don't want to be in a position of saying one thing publicly while donating to groups/candidates who advocate for the opposite.

To avoid the negative turmoil and downside risks a misdirected contribution may lead to, corporations should develop and establish a rigorous yet flexible process and framework to screen, assess and govern their outside contributions. In so doing, they will have a clear process and criteria to justify their decisions, that meet the interests of both government affairs and compliance areas. Policies and procedures give companies control over their spending, shield them from direct political pressure and justify their decisions, which in turn, mitigates risk.

Several years ago, The Center for Political Accountability (CPA), with partners at the Zicklin Center for Governance and Business Ethics at The Wharton School at the University of Pennsylvania, created the [CPA-Zicklin Index](#) to measure and guide companies' approach to transparency, political/social accountability and compliance. Initially companies groaned about submitting their information, and business associations fought against it. Everyone soon learned however, that it was not a "gotcha" instrument at all, but it was a tool for business to use and benefit from.

The easy, practical use of the Index created the ability to measure “best practices” and benchmark against others that proved irresistible to companies. Today, the Index is viewed as a practical annual measurement, helpful to corporate leaders.

The CPA is now offering that same ease and flexible guidance to companies in the political contribution space by offering general guidelines to establish an internal process of checks and balances to weigh the effects of political contributions. Its Model Code of Conduct for Corporate Political Spending offers a useful framework for businesses to guide their contributions.

Wearing my former hat, I see this as a risk mitigation tool for business if playing on sensitive political fields. We all know business loves certainty, and the Model Code helps add significant certainty in this area. It’s a tangible, process-oriented tool for businesses to assess the requests they receive. My prediction is, just like the CPA-Zicklin Index, the Model Code will become a “must-have” corporate guide in the very near future. Every corporate leader should give it a look soon as we navigate this 2024 political season.

Rex Wackerle previously held senior executive positions for nearly 40 years at Northrop Grumman, Bank of America and Prudential Financial Corporations in Washington, D.C. He now leads First Amendment Partners, a federal government consulting firm.