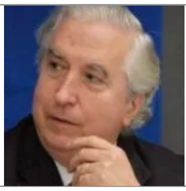

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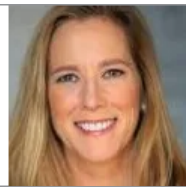

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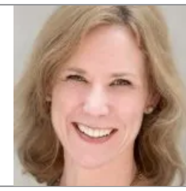

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# New Survey Reveals Strong Shareholder Support for Companies to Follow a Code of Conduct for Political Spending

*By Bruce F. Freed, William S. Laufer and Karl Sandstrom* September 15, 2024

**Edit |**

How do shareholders want companies to manage political spending? This is a critical question for senior management and boards as the 2024 elections enter the final stage and the 2025 proxy season opens. It's particularly important and timely as companies face pressure on at least two fronts:

- how to evaluate requests for last minute support from candidates, political committees and advocacy organizations and identify the risks that support poses, and
- how to respond to shareholder resolutions on managing their political spending.

Companies can expect to be pressed hard to contribute given the stakes of the election at the state and national levels. They can also expect an increase in the number and asks of resolutions relating to company political spending, given shareholder concerns about that spending and its risks.

All of this makes it incumbent that companies be proactive by putting in place robust policies for governing and assessing their election-related spending. With the increased risk that a company's spending poses in today's volatile political environment, a company fails its shareholders when it does not take into consideration shareholder views on how political spending should be managed. It also creates serious gaps in corporate governance policies essential to protecting the company.

A recently released survey, commissioned by the Zicklin Center for Governance and Business Ethics at the Wharton School of the University of Pennsylvania and the Center for Political Accountability and conducted by a leading non-partisan polling firm, set out to identify how retail shareholders expect companies to approach, govern and assess their political spending. It focused on company spending with treasury or corporate funds, not by political action committees.

The poll was conducted by Mason-Dixon Polling & Research of Jacksonville, Florida. The findings are based on a national survey of 800 retail shareholders who own stock directly in companies or through mutual funds, pension plans, 401k plans or Individual Retirement Accounts.

The results, in a word, are "remarkable" and send an unmistakable message to senior management and boards of directors.  There exists among shareholders a broad bipartisan consensus for companies to adopt or follow and adhere to a code of conduct for managing their political spending using corporate or treasury funds. Individual company spending can run into the six or seven figures and often goes to third-party organizations with little transparency or accountability regarding how the money is spent. Those groups include super PACs that are active at the state, congressional and presidential levels, entities known as 527 committees (after the section of the Internal Revenue Code that governs them) such as the governors associations, state legislative campaign committees and attorneys general associations that are major spenders at the state level, 501(c)(4) groups, also known as "social welfare" organizations, and trade associations. Much of the funding received by these groups is regularly described in the press as "dark money" because the public, shareholders and contributors are all kept in the dark about the receipts, disbursements and policy objectives of these organizations.

Here are the key findings of the survey:

- 87 percent of respondents said they believe publicly traded companies should be required to have a code of conduct for assessing and governing their political spending
- 83 percent replied they would have more confidence investing in corporations that have adopted reforms that provide for transparency and accountability in political spending
- 79 percent said they have more confidence investing in corporations that adopt or follow a code of conduct
- 77 percent believed that corporations need to consider the impact of their political spending on broader society
- 67 percent felt that a code of conduct would improve a company's political spending decisions

The survey, conducted from July 22 through August 2, showed broad support for companies following a code of conduct for political spending that entirely crosses party lines.  In an election season noted for its significant division and partisanship, this survey highlights that corporate political accountability is not a red or blue shareholder concern.  It is an investor concern.

The Center for Political Accountability and the Zicklin Center have developed a Model Code of Conduct for Corporate Political Spending to help companies manage the risks associated with election-related spending. A company's adoption of, or a statement that it follows, the Model Code, which has 12 provisions, is increasingly seen as a leading governance indicator.

Earlier this year, The Conference Board, the nation's leading business research organization, issued a report that strongly encouraged companies to seriously consider the Model Code. The report stated, "Companies can consider adopting a framework for governing and assessing their political spending, which can provide a clear process and criteria to justify their decisions. The risks associated with political spending, particularly through third-party groups highlight the need for companies to maintain control and transparency over where their money is directed. Indeed, controversial political contributions can lead to significant public backlash and negatively impact the company's reputation. As a start, companies may want to take a look at the CPA-Zicklin Model Code of Conduct for Corporate Political Spending, which provides a helpful framework."

*This post comes to us from Bruce F. Freed, president of the Center for Political Accountability; William S. Laufer, the Julian Aresty Professor at The Wharton School at the University of Pennsylvania and co-director of the Carol and Lawrence Zicklin Center for Governance & Business Ethics; and Karl Sandstrom, a senior counsel with the law firm of Perkins Coie. It is based on an "Analysis of Survey Findings by Brad Coker of Mason-Dixon Polling & Research," available here.*

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