CORPORATE POLITICAL SPENDING

Subtopic: *Lobbying and Political Spending*

Description: Resolutions that seek to increase a company's reporting and disclosure on political contributions, regarding (1) company policy and procedures governing direct contributions, direct lobbying, indirect lobbying, and grassroots lobbying communications, and (2) expenditures for direct contributions, direct and indirect lobbying, and grassroots lobbying communications.[1]

Topic background

The number of shareholder proposals addressing corporate political spending notably increased following the U.S. Supreme Court's 2010 decision in *Citizens United,* (which held that, under the First Amendment, the government may not limit corporate funding of independent political broadcasts in candidate elections). Recent shareholder proposals tend to reflect proponents' concerns about the role of corporate political spending on legislation and regulations, as well as concerns that political expenditures may expose companies to significant reputational risk, particularly if that spending supports political positions that do not align with a company's public position on an issue.

Considerations for voting

- We generally recommend support of well-constructed proposals requesting timely disclosure on corporate political spending. Such disclosures can have value to shareholders, helping them assess whether a corporation's use of assets is in shareholders' best interests and whether a company's political spending poses business risks.
- We are also informed by the Supreme Court's assumption – expressed in the *Citizens United* case – that shareholders should be informed about the political spending of their corporations. In considering such proposals, we recommend that attention be given to the scope and scale of a company's political spending relative to its peers, as well as the degree to which its policies and practices promote transparency about political spending (the CPA/Zicklin Index provides useful information).
- We note, as well, that current levels of company disclosure are uneven across different categories of lobbying and indirect expenditure, and that it can be burdensome for a shareholder to independently compile information on a company's political spending, since such information is dispersed across many sources, especially at state and local levels.
- We believe that companies can be helpful to shareholders with concerns about political spending by publishing such information so that shareholders may draw their own conclusions about matters such as reputational risk and the alignment of political spending with publicly stated corporate values. We also recognize that shareholders and other stakeholders may have

[1] Proposals on lobbying disclosure may include definitions of indirect lobbying and grassroots lobbying communications in terms such as the following: "Indirect lobbying" is lobbying engaged in by a trade association or other organization of which the company is a member. "Grassroots lobbying communications" are communications directed to the general public that refer to specific legislation or regulation, reflect a view on the legislation or regulation, and encourage the recipient of the communication to take action with respect to the legislation or regulation. For reference this language is drawn from Walden Asset Management's 2018 proposal to AT&T.

legitimate particular concerns about corporate engagement with organizations that draft model legislation.

- We generally do not recommend support of proposals that go beyond requests for greater transparency about amounts and recipients of corporate political expenditures and reach into areas such as cost/benefit analyses of such spending or analyses of congruency between a company's stated values and the policy positions of supported individuals or organizations. Such proposals may impose a substantial reporting burden on companies while offering little additional insight to shareholders. Moreover, it may be in a company's best interest to support politicians in multiple political parties, whether or not their positions directly align with the company's stated values. Similarly, lobbying organizations necessarily represent the views of many members, and it is unrealistic to expect perfect alignment between all of a company's values and all parts of a lobbying organization's agenda.

As noted above, better corporate disclosure and transparency about political spending may enable shareholders to draw their own conclusions about the potential benefits or risks associated with the specific relationships that are disclosed, as well as the alignment of these expenditures with corporate values.

Illustrative examples of votes:

1. Vote <u>in support</u> of resolutions requesting that a company disclose/report on payments used for (a) direct and indirect lobbying, or (b) grassroots lobbying communications
2. Vote <u>in support</u> of resolutions requesting that a company disclose memberships in and payments to any tax-exempt organization that lobbies on its behalf or writes and endorses model legislation.
3. Vote <u>in support</u> of resolutions requesting that a company disclose its policies and procedures governing lobbying, both direct and indirect, grassroots lobbying communications, and campaign spending.
4. Vote <u>in support</u> of resolutions requesting that a company disclose monetary and non-monetary contributions and expenditures, including the identity of the recipient(s).
5. Vote <u>against</u> resolutions requesting that a company undertake a cost/benefit analysis of political contributions and report the results to shareholders.
6. Vote <u>against</u> resolutions requesting that a company report on the "congruency" between its stated corporate values and the policy positions of candidates or organizations receiving contributions.