



INTERFAITH CENTER ON CORPORATE RESPONSIBILITY

To CEO Members of the Business Roundtable (BRT),

The undersigned institutional investors and members of the Interfaith Center on Corporate Responsibility (ICCR) are concerned about the destabilizing effects that misaligned and undisclosed corporate political spending can have on our democracy and society. ICCR is a broad coalition of institutional investors collectively representing over \$4 trillion in invested capital. ICCR members, a cross-section of faith-based investors, asset managers, pension funds, foundations, and other long-term institutional investors, have over 50 years of experience engaging with companies on environmental, social, and governance issues that are critical to long-term value creation, including political spending..

We are writing to engage BRT member corporations about their political spending as we believe you are well-suited to model leadership on this issue. This letter follows up on prior outreach to BRT members on the same topic¹.

As you know, companies exert political influence via multiple channels. Of primary concern to us as investors is the alignment between a company's political engagement and its stated values and mission because any misalignment represents a source of both firm-level and systems-level risk. Companies and investors both depend on a resilient democracy and strong rule of law to provide the economic and legal certainty that facilitates long-term market stability and allows companies to compete on the merits of their products and services. For decades, investors have sounded alarms about the strains that corporate political spending puts on our democratic institutions as it can lead to policy-making at all levels of government that places short-term corporate interests above the public interest. This distortion of public policy breeds cynicism about our institutions and only serves to weaken the systems undergirding our society and economy.

We ask corporations to evaluate how their political activities may reinforce or undermine democratic principles including free and fair elections and healthy civic engagement. We need to look no further than the insurrection at the U.S. Capitol on January 6th, 2021 to understand the risks inherent in corporate political spending. The press quickly and forcefully called out corporations that had supported the legislators who, under false pretenses, failed to certify the 2020 Presidential election. While many companies chose to temporarily suspend their political giving to weather the press storm, many have resumed these activities without any discernable changes in policies or oversight.

Voting rights and the integrity of state voting systems are currently threatened by unrestrained and undisclosed political spending. According to a study released by the Center for Political Accountability (CPA)² public companies "are pouring millions of their dollars into political spending that ultimately

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https://www.iccr.org/sites/default/files/blog_attachments/finalstatementoncorppolspendingwsignatories02.11.21.pdf

² <https://www.politicalaccountability.net/practical-stake-corporations-political-spending-and-democracy/>

bankrolls the attack on democracy from Washington, D.C. to state capitals nationwide.”³ Tens of millions of corporate dollars have been donated to legislators, PACs, and other organizations that are actively working to undermine our democracy by restricting voting rights and delegitimizing our electoral process. Clearly, this is not in the best interest of business.

In contrast, as a March 2021 statement by the Business Roundtable^[8] underscored, *“The right to vote is the essence of a democratic society, and the voice of every voter should be heard in fair elections that are conducted with integrity. Unnecessary restrictions on the right to vote strike at the heart of representative government. Business Roundtable members believe state laws must safeguard and guarantee the right to vote.”*

It is therefore critical that BRT companies put in place mechanisms to align their political spending with their stated core values, and with the public interest, to mitigate both reputational risks to the company, and broader risks to democracy.

We believe that BRT companies would benefit from a thoughtful assessment of their political spending and lobbying. We recommend two resources to help guide company policy development and decision-making toward more responsible political engagement.

I. Erb Principles for Corporate Political Responsibility

The first key resource is the [Erb Principles for Corporate Political Responsibility](#), released in March after a lengthy, deliberative stakeholder process by the Erb Institute of the University of Michigan. Developed as a complement to the BRT's statement on the Purpose of the Corporation and the BRT's actions to support the peaceful transfer of power in 2021, the Erb Principles propose a practical, non-partisan, and comprehensive definition of corporate political responsibility (CPR) as a first step in establishing CPR as a new norm that will reduce business risk, strengthen civic trust and foster collaborative problem-solving. The Erb Principles do this by helping companies better align their political influences -- including any political spending -- with their values, purpose, commitments, and larger responsibilities to a healthy economy, civic institutions, and informed civic discourse. The Principles were designed to provide U.S. companies with a non-partisan, principled thought process for responsible engagement, without prescribing positions on specific issues.

II. The CPA-Zicklin Model Code of Conduct for Corporate Political Spending

The second important resource is [the CPA-Zicklin Model Code of Conduct for Corporate Political Spending](#), developed by the Center for Political Accountability and The Wharton School's Zicklin Center for Governance and Business Ethics, with extensive input from corporate governance experts, investors, and companies. The Model Code provides a broad framework for companies to approach and govern their election-related spending with treasury funds. Among other things, the Model Code recommends that companies have policies for their spending, ensure robust board oversight, disclose all expenditures, and analyze societal impacts and alignment of expenditures with stated values.^[10] To reduce both the

³ <https://www.politicalaccountability.net/practical-stake-corporations-political-spending-and-democracy/>

^[8] <https://www.businessroundtable.org/business-roundtable-statement-on-voting-rights>

^[10] <https://corpgov.law.harvard.edu/wp-content/uploads/2020/11/CPA-Wharton-Zicklin-model-code-of-conduct-for-corporate-political-spending-10-13-20-.pdf>

enterprise risk and systemic risk of corporate political spending, the CPA-Wharton Model Code of Conduct recommends:

- Initiating a review of your process for making political contributions over the last several years both directly to candidates and indirectly via trade associations and social welfare organizations involved in the election process, and assess any unintended negative consequences of these activities with recommendations for changes going forward;
- Requiring that all trade associations, social welfare organizations, or other organizations engaging in election-related spending report annually to the donating company on the organization's expenditures, including the amount spent and the ultimate recipient. The company would post these reports publicly on its website; and
- Requiring the board of directors to consider the broader societal and economic harm and risks posed by the company's political spending independent of the review of possible conflicted spending by the company.

In summary, we believe corporations must play a role in strengthening, not weakening, our democracy and, as members of the Business Roundtable you are well-positioned to model best practices for your peers in responsible political engagement. We look forward to your response to this letter and will share your response with its signatories. We would also welcome a dialogue to discuss this issue further and to explore how the tools we are recommending may best be utilized. If you have any questions, please reach out to Tim Smith, Senior Policy Advisor at ICCR, at tsmith@iccr.org.

SIGNATORIES

Adasina Social Capital
American Baptist Home Mission Society
As You Sow
Azzad Asset Management
Boston Common Asset Management
Change Finance, PBC
Church Investment Group
Committee on Mission Responsibility
Through Investment of the Presbyterian
Church U.S.A.
CommonSpirit Health
Congregation of St. Joseph
CorpGov.net
Dana Investment Advisors
Daughters of Charity, Province of St. Louise
Dominican Sisters ~ Grand Rapids
Dominican Sisters of Springfield IL
Figure 8 Investment Strategies
Franciscan Sisters of Allegany NY

Friends Fiduciary Corporation
Heartland Initiative
Maryknoll Fathers and Brothers
Maryknoll Sisters
Mercy Investment Services, Inc.
Miller/Howard Investments, Inc.
Missionary Oblates/OipTrust
Newground Social Investment
Northwest Coalition for Responsible
Investment
Province of Saint Joseph of the Capuchin
Order
Region VI Coalition for Responsible
Investment
School Sisters of Notre Dame Cooperative
Investment Fund
Seva Foundation
Seventh Generation Interfaith Coalition for
Responsible Investment

Sisters of Charity of Cincinnati, Ohio -
Mount St Joseph, Ohio
Sisters of Charity of New York
Sisters of Mary Reparatrix
Sisters of Saint Joseph of Chestnut Hill,
Philadelphia, PA.
Sisters of St. Francis of Philadelphia
Sisters of St. Francis of Oldenburg
Sisters of the Holy Names of Jesus & Mary
Sisters of the Humility of Mary

Sisters of the Presentation of the Blessed
Virgin Mary of Aberdeen, South Dakota
Socially Responsible Investment Coalition
Sustainable Advisors Alliance
The Educational Foundation of America
The Episcopal Church (DFMS)
Trillium Asset Management
Trinity Health
Tulipshare
United Church Funds
Zevin Asset Management