

INVESTOR STATEMENT ON THE RISKS OF CORPORATE POLITICAL SPENDING

We are writing as investors to urge our companies to seriously reconsider whether their political spending - through direct donations to politicians, Political Action Committees (PACS), Super PACs, 527 committees or anonymously through trade associations and “social welfare” organizations (also known as 501(c)(4) groups), is in the best interest of their businesses and shareholders and, more importantly, whether it is in the public’s best interest.

In spite of repeated appeals – including from many companies¹ and investors² - to respect the people’s will and ensure a peaceful transfer of power after our Presidential election, on January 6th a mob encouraged by former President Trump violently attacked the U.S. Capitol in a brazen attempt to stop the certification of legitimate electoral votes confirming President Biden as the 46th President of the United States. Five people died, and our nation is certain to remember the attack as one of the darkest days of our Republic. Yet, as soon as the mob was ejected and the certification process was allowed to resume, 147 members of Congress still voted against certifying the election, choosing to lend credence to far-fetched conspiracy theories and thoroughly debunked claims of election fraud.

In protest, some companies and trade groups announced that they were indefinitely pulling financial support from those who voted against certifying the election³. A smaller subset of companies, including several of the country’s top banks, announced they would suspend **all** political spending activity for several months⁴, to more fully assess their political donation strategies. While this seems to us a prudent strategy, what remains unclear is what companies will do after the news cycle moves on and the moratoria expire in a few months’ time.

For decades, investors have sounded alarms about the threat that corporate political spending poses to our democratic institutions, as it leads to policy-making at all levels of government that often places corporate interests over the public interest. The distortion of public policy and corrupting influence on our political system caused by corporate political spending has a destabilizing effect on the broader economic and cultural environment, inhibiting the long-term sustainability of business and threatening to unravel the social fabric.

We believe this is a moment of reckoning for corporations; they should thoughtfully re-consider how their political activities have been reinforcing and undermining the ideals of democracy, and the fulfillment of their social contract. We would ask how companies are measuring and mitigating any deleterious impacts that their political donations may have on people and on the planet. And we would ask companies to reflect on how our current campaign finance system – an elaborate system of “donations”, mainly undertaken by corporations to curry favor with

¹ <https://www.businessroundtable.org/broad-based-coalition-of-business-leaders-statement-on-the-2020-election>

² <https://www.iccr.org/corporate-responsibility-help-ensure-free-and-fair-elections>

³ <https://www.nytimes.com/2021/01/11/us/politics/trump-politicians-donations-degrees.html>

⁴ <https://www.mcall.com/opinion/mc-opi-capitol-riot-corporate-political-donations-muschick-20210114-zsxu7licnh2zgdpr322ucocli-story.html>

policy-makers - may undermine authentic democracy and civic engagement, and have a corrupting influence on elected officials.

As investors concerned about the corrosive impact of corporate political spending, we urge all corporations to take a six-month hiatus to evaluate the considerable short- and long-term risks inherent in this practice.

At a minimum, we call on all companies to adopt the **CPA-Wharton Zicklin Model Code of Conduct for Political Spending**, which makes societal obligations and responsibilities, the role of companies as participants in the democratic process, and ethical considerations, key elements in their decision making and evaluation of their political spending.

Further, we strongly urge corporations to consider implementing the following permanent steps:

- **End all political spending at the federal, state and local level.**
- **Shut down their own internal political action committees (PACs), which facilitate corporations having undue influence over elected officials.**
- **End all contributions to super PACs, which grew out of the ill-considered *Citizens United* decision, and serve to facilitate unlimited and unregulated corporate donations outside the boundaries of the regular campaign finance system.**
- **End contributions to partisan state-focused 527 committees that have played a major role in reshaping and distorting state and national politics and policy over the past decade.**
- **End the flow of corporate “dark money” to so-called “nonprofit” groups that accept unlimited contributions to influence elections without revealing their donors. They are by their very nature undemocratic, and corporations that donate to them put their brands at great risk.**
- **Fully disclose how much and to which intermediaries they contribute, including to trade associations and other third-party groups that use that money to influence policy.**

The attack on January 6 revealed in stark detail the fragility of our democracy; we cannot afford a return to “business as usual”, particularly when it comes to corporate political spending. We will be reaching out to you in the near future to schedule a dialogue where we can discuss this critical issue further.