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Largest Companies Continue to Provide Political Spending Disclosure According to Latest CPA-Zicklin Index

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Politics and governance intersect in the 2017 version of the CPA-Zicklin Index, which examines the disclosure practices of the S&P 500 companies on political spending, scores those companies and divides them into five tiers. The score distribution shows a strong positive correlation with the average market capitalization of the companies.

Irrespective of the political environment, companies are continuing to provide more information about their corporate political spending, with an increasing number prohibiting certain types of payments. Fifty companies have been designated "trendsetters" for scoring 90% or above, an increase from 28 companies in 2015 and 41 in 2016.

Political spending disclosure. In total, 323 companies disclosed at least some corporate political contributions or expenditures, with the companies giving full or partial information on each of the following types of payments: state candidates, parties and committees (158 companies); 527 groups (152 companies); independent expenditures (81 groups); trade associations (179 groups); 501(c)(4) organizations (109 companies); and ballot measures (144 companies). 527 groups include national governor associations and so-called Super PACs.

The number of companies making these disclosures has actually dropped from prior years, because more companies are prohibiting certain types of contributions altogether. For example, 120 companies restrict independent expenditures, 97 companies prohibit contributions to state candidates, parties and committees, while 71 companies do not allow giving to 527 groups.

Contributions to trade associations and 501(c)(4) organizations, which may indirectly use corporate funds for political purposes, have come under a spotlight in recent years due to the publicity surrounding "dark money" in elections. In lieu of ceasing all involvement with these entities, some companies are instructing them not to use company contributions in the form of dues or other payments for any election-related activity. About 30 to 50% of companies then, depending on the type of contributions, either disclose full or partial information or restrict payments. This represents an increase in every contributions category from the last two years.

Political spending policies and oversight. *87%* of companies disclose their policies governing political spending, with 283 companies giving details while 150 provide "brief or vague" policies. 388 companies explain the parameters of giving, and 229 of those companies fully describe which political entities they contribute to or not. More than 200 companies talk about the decision-making criteria for their political spending decisions.

More than half of the companies have a dedicated political spending website, and 236 companies require board oversight. This may involve the entire board, or having a board committee review policies on political spending or direct or indirect contributions. A quarter of the scoring key is focused on different levels of board oversight.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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