

MODEL POLICIES FOR CORPORATIONS TO STRENGTHEN DISCLOSURE AND OVERSIGHT OF POLITICAL SPENDING

OVERVIEW

To assist corporations in strengthening their political spending policies, the Coalition for Accountability in Political Spending (CAPS) has assembled a series of four model policies which include options for restraint, disclosure and board oversight.

The first model policy follows the precedent set by Colgate-Palmolive which is often described as a “Gold Standard” for political spending policies. Colgate-Palmolive has a strict policy against making direct and indirect political contributions to political parties and candidates. It also prohibits indirect spending through not-for-profit organizations, electioneering communications and independent expenditures. In addition, the company has no political action committee. Dues and other payments made to trade associations may not be used for political purposes and all trade associations must ensure that no part of any payments to them will be used for political purposes.

The next model policy takes an approach similar to IBM, which has a strict policy against making direct and indirect political contributions to political parties and candidates. It also prohibits indirect spending through not-for-profit organizations, electioneering communications and independent expenditures. Although IBM does not have a political action committee, it engages in public advocacy. This model policy contains language disclosing both lobbying and political action committee expenditures. Dues and other payments made to trade associations may not be used for political purposes and all trade associations must ensure that no part of any payments to them will be used for political purposes.

The third policy in this guide is modeled on Microsoft. The policy allows direct political spending, but with maximum disclosure on their website with management and board oversight of the political giving. This model policy prohibits indirect spending through not-for-profit organizations, electioneering communications and independent expenditures. The company will inquire and make reasonable efforts to determine what portion of their dues or other payments to trade associations are used for lobbying expenditures or political contributions.

The last model policy presented is for companies, such as Chevron, who wish to pursue unfettered political spending in all areas legally available to a corporation, while providing management oversight and full disclosure of all political spending on the company’s website.

MODEL POLICY FOR STRICT LIMITS ON ALL POLITICAL SPENDING

Company prohibits contributions from corporate treasury funds for direct and indirect political contributions, including in-kind contributions, to candidates, political parties or political organizations; independent expenditures; and, electioneering communications on behalf of Federal, state or local candidates. This prohibition also covers indirect assistance or support through buying tickets to political fundraising events or furnishing goods, services or equipment for political fundraising or other campaign purposes. *Company's* policy also prohibits volunteer work by *Company* employees within normal business hours and the use of *Company* facilities for fundraising or political purposes.

Campaign Finance and Political Action Committee

Company's values reflect our policy against political contributions of any kind, even when permitted by law. Therefore, *Company* does not have a Political Action Committee (PAC). No political contributions made by employees to candidates or political parties will be reimbursed by *Company*.

Independent Expenditures and Indirect Political Spending

Company prohibits any company funds from being paid to groups organized under IRC Sections 501(c)(4) or 527 or any other third party organization that supports or opposes candidates for political office or attempts to influence the outcome of elections through electioneering communications.

Trade and Industry Associations

Company belongs to trade and industry associations that advocate for our industry to which we pay annual dues and other payments. Our membership in trade associations comes with an understanding that we may not always agree with every position they take, but our involvement will help promote the *Company's* business objectives.

To help ensure that the trade associations do not use any portion of the dues paid by *Company* for political contributions, *Company's* Chief Ethics and Compliance Officer¹ annually informs the trade associations of our policy prohibiting such contributions. In addition, the *Company's* Chief Ethics and Compliance Officer requests each trade association to which the *Company* pays in excess of \$10,000 annually to provide a written confirmation (i) that the *Company's* dues or other payments were not used for contributions to political parties or candidates and (ii) a breakdown of any portion of the *Company's* dues which are not deductible pursuant to the Internal Revenue Code, to additionally verify that no amounts are being used for political contributions.

For the calendar year 20XX, all the trade associations to which we pay dues or other payments in excess of \$10,000 annually have satisfied the *Company's* request for information regarding their non-deductible expenses and confirmed their compliance with our policy. Our trade and industry association memberships and the amounts we pay in dues and other payments to these organizations are posted quarterly on our website at www.Company.com/TradeAssociations.

Employee Activity

If *Company* employees choose to participate in political activity, they do so as individuals and not *Company* representatives. *Company* will make reasonable accommodations for employees to take vacation or reasonable time off without pay to pursue such activity. If *Company* employees choose to participate in political activity, they do so on their own time as individuals and not company representatives.

¹ Can substitute Legal department, Government Affairs Department, or other internal body that would track this information.

MODEL POLICY FOR FULL DISCLOSURE AND OVERSIGHT WITH LIMITS ON ELECTION SPENDING FROM THE CORPORATE TREASURY

Company prohibits contributions from corporate treasury funds for direct and indirect political contributions, including in-kind contributions, to candidates, political parties or political organizations; independent expenditures; and, electioneering communications on behalf of Federal, state or local candidates. This prohibition also covers indirect assistance or support through buying tickets to political fundraising events or furnishing goods, services or equipment for political fundraising or other campaign purposes. *Company's* policy also prohibits volunteer work by *Company* employees within normal business hours and the use of *Company* facilities for fundraising or political purposes.

Advocacy and Lobbying

Although *Company* prohibits contributions from corporate treasury funds for direct and indirect political contributions, *Company* is engaged in public policy advocacy on issues that impact our business at the Federal, state and local levels. We believe that active engagement in the legislative process is an important part of responsible corporate citizenship.

Through our *Government Affairs*² group, *Company* uses on-staff government relations professionals and contract lobbyists in various localities to monitor legislative and regulatory activities that impact our business. Federal and state laws regulate lobbying activity and reporting requirements. *Company* files periodic reports with the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives detailing our U.S. Federal lobbying activities and expenditures. *Company* also files lobbying reports with state and municipal governments, where required. We also post our lobbying and public advocacy expenditures each quarter on our website at: www.Company.com/advocacy.

Campaign Finance and Political Action Committee

Eligible *Company* employees (and their spouses) can participate in the political process by contributing to the *Company* political action committee (*Company*PAC). All contributions are voluntary and *Company* will not pressure or coerce employees to make any contributions to *Company*PAC, nor will *Company* retaliate against employees who do not contribute. In compliance with applicable laws, *Company*PAC supports legislators from both major parties who understand and appreciate our work and industry. *Company*PAC will not make political contributions to any candidate running for election to a State Supreme Court or any other judicial office. An *Executive Committee*³ governs and oversees all *Company*PAC activities. The *Nominating and Corporate Governance Committee*⁴ of the Board of Directors reviews the actions of the *Executive Committee* and the contributions made by *Company*PAC on a quarterly basis. Members of the *Company*PAC *Executive Committee* are posted on our website and *Company*PAC expenditures are posted on our website each quarter at: www.Company.com/PAC.

Independent Expenditures and Indirect Political Spending

Company prohibits any company funds from being paid to groups organized under IRC Sections 501(c)(4) or 527 or any other third party organization that supports or opposes candidates for political office or attempts to influence the outcome of elections through electioneering communications.

Trade and Industry Associations

Company belongs to trade and industry associations that advocate for our industry to which we pay annual dues and other payments. Our membership in trade associations comes with an understanding that we may not always agree with every position they take, but our involvement will help promote the *Company's* business objectives.

² Can substitute *Corporate Affairs* department or similar internal body that handles government and legislation.

³ Can be some other internal or external committee, including a BOD committee that maintains and oversees the PAC.

⁴ Can substitute some other committee on the BOD.

To help ensure that the trade associations do not use any portion of the dues paid by *Company* for political contributions, *Company's Chief Ethics and Compliance Officer*⁵ annually informs the trade associations of our policy prohibiting such contributions. In addition, the *Company's Chief Ethics and Compliance Officer* requests each trade association to which the *Company* pays in excess of \$10,000 annually to provide a written confirmation (i) that the *Company's* dues or other payments were not used for contributions to political parties or candidates and (ii) a breakdown of any portion of the *Company's* dues which are not deductible pursuant to IRC Section 162(e)(1), to additionally verify that no amounts are being used for political contributions.

For the calendar year 20XX, all the trade associations to which we pay dues or other payments in excess of \$10,000 annually have satisfied the *Company's* request for information regarding their non-deductible expenses and confirmed their compliance with our policy. Our trade and industry association memberships and the amounts we pay in dues and other payments to these organizations are posted quarterly on our website at www.Company.com/TradeAssociations.

Employee Activity

Company encourages employees to engage in civic and political activities on their own time based on their individual desires and political preferences, but not representing *Company*. Employees may not engage in any political activity in the office or using *Company* property, and they cannot be reimbursed for any campaign contributions made from personal funds.

⁵ Can substitute *Legal Department, Government Affairs Department, or other internal body that would track this information.*

MODEL POLICY FOR FULL DISCLOSURE AND OVERSIGHT AND LIMITS ON INDIRECT ELECTION SPENDING

Company engages in public policy advocacy on issues that impact our business at the Federal, state and local levels. Under U.S. law, corporations cannot support candidates for Federal office. However, many states allow corporate donations to state and local candidates or to ballot-issue campaigns. We make political contributions to support candidates and ballot measures that are consistent with our business interests. *Company* believes that engaging in public advocacy and supporting candidates for public office should be conducted in a legal and transparent manner. The following is *Company's* policy regarding public advocacy and political spending.

Advocacy and Lobbying

Through our *Government Affairs*⁶ group, *Company* uses on-staff government relations professionals and contract lobbyists in various localities to monitor legislative and regulatory activities that impact our business. Federal and state laws regulate lobbying activity and reporting requirements. *Company* files periodic reports with the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives detailing our U.S. federal lobbying activities and expenditures. *Company* also files lobbying reports with state and municipal governments, where required. We also post our lobbying expenditures on our website at: www.Company.com/advocacy.

Campaign Finance and Political Action Committee

Eligible *Company* employees (and their spouses) can participate in the political process by contributing to the *Company* political action committee (*CompanyPAC*). All contributions are voluntary and *Company* will not pressure or coerce employees to make any contributions to *CompanyPAC*, nor will *Company* retaliate against employees who do not contribute. In compliance with applicable laws, *CompanyPAC* supports legislators from both major parties who understand and appreciate our work. *CompanyPAC* will not make political contributions to any candidate running for election to a State Supreme Court or any other judicial office. An *Executive Committee*⁷ governs and oversees all *CompanyPAC* activities. The *Nominating and Corporate Governance Committee*⁸ of the Board of Directors reviews the actions of the *Executive Committee* and the contributions made by *CompanyPAC* on a quarterly basis. Members of the *CompanyPAC Executive Committee* are posted on our website and *CompanyPAC* expenditures are posted on our website each quarter at: www.Company.com/PAC.

Corporate Political Spending

Within the boundaries of Federal, state and local laws, *Company* may expend corporate treasury funds for direct political contributions to candidates, political parties or political organizations. No corporate treasury funds may be contributed to any candidate running for election to a State Supreme Court or any other judicial office as a matter of *Company* policy. Any political spending shall reflect *Company's* interests and not those of the individual officers or directors of the *Company*. No contributions will be made in anticipation of, or in recognition of, or in return for an official act. All corporate political expenditures must receive prior written approval from the *General Counsel*⁹ and the *Government Affairs* group.

Company publicly discloses all expenditures of corporate funds on political activities on *Company's* website, www.Company.com/politicalspending, each quarter or sooner if a disclosure is required by Federal election or campaign laws. The

⁶ Can substitute Corporate Affairs department or similar internal body that handles government and legislation.

⁷ Can be some other internal or external committee that maintains and oversees the PAC.

⁸ Can substitute some other committee on the BOD.

⁹ Can substitute Legal Department or Legal Group.

disclosures include direct and indirect contributions, including in-kind contributions, to candidates, political parties and political organizations; and the use of *Company* time and resources for political activity.

The *Government Affairs* group provides quarterly reports to the Nominating and Corporate Governance Committee of the Board of Directors, which explain the amount of corporate expenditures for corporate political spending. The Nominating and Corporate Governance Committee monitors *Company's* political spending, supervises our policies and procedures regulating political spending and reviews the purposes and benefits of the expenditures.

Independent Expenditures, Electioneering Communications and Indirect Political Spending

Company prohibits any company funds from being paid to groups organized under IRC Sections 501(c)(4) or 527 or any other third party organization that supports or opposes candidates for political office or attempts to influence the outcome of elections through electioneering communications.

Trade and Industry Associations

Company belongs to trade and industry associations that advocate for our industry to which we pay annual dues and other payments. Our membership in trade associations comes with an understanding that we may not always agree with every position they take, but our involvement will help promote the *Company's* business objectives. We will inquire and make reasonable efforts to determine what portion of our dues or other payments to these trade associations were used for lobbying expenditures or political contributions that, if made directly by *Company*, would not be deductible under IRC Section 162(e)(1).

For the calendar year 20XX, all the U.S. trade associations to which we pay dues or other payments in excess of \$10,000 annually have satisfied the *Company's* request for information regarding what portion of our dues or other payments were used for lobbying expenditures or political contributions. Our trade and industry association memberships and the amounts we pay in dues and other payments to these organizations are posted quarterly on our website at www.Company.com/TradeAssociations.

Ballot Measures

Company participates in state and local ballot measures, such as initiative and referenda, constitutional amendments, and bond measures that impact our business. We post financial contributions over \$10,000 on our website on a quarterly basis or sooner if a disclosure is required by Federal election or campaign laws, see www.Company.com/ballotmeasures.

Employee Activity

Company encourages employees to engage in civic and political activities on their own time based on their individual desires and political preferences, but not representing *Company*. Employees may not engage in any political activity in the office or using *Company* property, and they cannot be reimbursed for any campaign contributions made from personal funds.

MODEL POLICY FOR FULL DISCLOSURE AND OVERSIGHT AND NO LIMITS ON POLITICAL SPENDING

Company engages in public policy advocacy on issues that impact our business at the Federal, state and local levels. Under U.S. law, corporations cannot support candidates for Federal office. However, many states allow corporate donations to state and local candidates or to ballot-issue campaigns. We make political contributions to support candidates and ballot measures that are consistent with our business interests. *Company* believes that engaging in public advocacy and supporting candidates for public office should be conducted in a legal and transparent manner. The following is *Company's* policy regarding public advocacy and political spending.

Advocacy and Lobbying

Through our *Government Affairs*¹⁰ group, *Company* uses on-staff government relations professionals and contract lobbyists in various localities to monitor legislative and regulatory activities that impact our business. Federal and state laws regulate lobbying activity and reporting requirements. *Company* files periodic reports with the Secretary of the U.S. Senate and the Clerk of the U.S. House of Representatives detailing our U.S. federal lobbying activities and expenditures. *Company* also files lobbying reports with state and municipal governments, where required. We also post our lobbying expenditures on our website at: www.Company.com/advocacy.

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Independent Expenditures and Indirect Political Spending

Company also financially supports several policy development organizations and think tanks, including groups organized under IRC Sections 501(c)(4) or 527, whose purpose is to, among other activities, write policy position papers or model legislation and influence the outcome of elections.

Our independent expenditures and indirect political spending are posted on our website, www.Company.com/politicalspending, quarterly or sooner if a disclosure is required by Federal election or campaign laws.

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