

Partisan Political Spending Study

Resolved: Shareholders request that the board (at reasonable cost, within a reasonable time, and excluding confidential/proprietary information) commission, oversee, and publish an independent study which examines the impact on the company, of adopting a policy prohibiting the use of corporate funds for direct contributions to partisan 527s. The study should provide, at the board's discretion, recommendations, and potential next steps.

Supporting Statement: This request is limited to contributions to partisan 527s (527s are U.S. tax-exempt group organized under Section 527 of the Internal Revenue Code primarily created to influence the selection, nomination, election, appointment, or defeat of candidates for public office), such as, for example, to the Republican Attorneys General Association, the Democratic Governors Associations, the Republican State Leadership Committee, or the Democratic Legislative Campaign Committee – not individual candidate or ballot measure campaigns.

Whereas:

Public companies and their trade associations' donations comprise approximately 40 percent of the \$2.5 billion raised by six major (see above) partisan 527s between 2010-2024.¹ Corporate executives direct corporate treasury activities – therefore, these contributions reflect their decisions on behalf of the corporation, which is owned by the shareholders. Companies lack control over funds post-contribution and partisan 527s could redirect them to support activities that the company did not intend to support – potentially raising reputational and other risks. Given the overtly partisan nature of partisan 527 activities, these risks may outweigh the perceived benefits to the company. In fact, we believe that by eliminating contributions to partisan 527s the company can credibly demonstrate it is not getting involved in the political fray.

According to a 2024 Center for Political Accountability report, from 2010 to 2024, Elevance contributed over \$1.3 million to the Republican Governors Association and over \$9 million to the Republican Governors Association.²

Former chief justice of the Delaware Supreme Court Leo Strine and Professor Dorothy Lund argued in the Harvard Business Review against corporate political contributions writing “Because political donations are controlled by managers, and because no corporate stakeholders, including shareholders, base their relationship with a company on the expectation that it will use its entrusted capital for political purposes, corporate political spending cannot reflect the diverse preferences and views of those stakeholders. Even the classic justification that corporate donations maximize shareholder wealth is on shaky ground: Emerging evidence suggests that they can destroy value by suppressing innovation and distracting managers from more-pressing tasks.”³

¹ <https://www.politicalaccountability.net/wp-content/uploads/2024/08/Corporate-Underwriters-Where-the-Rubber-Hits-the-Road.pdf>

² Id.

³ <https://hbr.org/2022/01/corporate-political-spending-is-bad-business>

They point to a study of corporate political activity in the form of lobbying and PAC spending by S&P 500 companies from 1998 to 2004 which found that it was strongly and negatively related to company value. This suggests that ceasing partisan political spending does not necessarily put a company at a competitive disadvantage.⁴

⁴ https://dash.harvard.edu/bitstream/handle/1/30064396/Coates_684.pdf?sequence=1&isAllowed=y