

Our perspective on corporate political activities

BlackRock®

Investment Stewardship

BlackRock Investment Stewardship (BIS) regularly engages with companies to understand how they use corporate political activities to support policy matters material to their long-term strategy and shareholder value. As part of this, we look at a company's publicly available disclosures to understand how lobbying and political contributions support stated policy positions.

In certain markets, companies may engage in political activities, within legal and regulatory limits, in order to have a voice in public policy matters,¹ to maintain and/or promote the economic interests of companies and their shareholders by helping elect candidates to office, and promote policy initiatives to support strategic business interests.

In addition, corporate engagement on public policy matters helps to inform policymakers of the practical implications of policy decisions. This participation is advantageous for companies, as it allows them to remain informed and involved in the political and regulatory processes that may impact their businesses, industries, supply chains, and trade more broadly. Participation in industry and trade associations helps companies to stay informed about developments likely to impact their industry and to contribute to the policy positions of the associations as they engage with policymakers. Trade associations often also provide educational and professional networking opportunities for their members, which companies may find beneficial.

However, these activities can also create material risks for companies, including certain reputational risks as well as other risks that can arise from the complex legal, regulatory, and compliance considerations associated with corporate direct or indirect (through trade associations) political spending and lobbying activities. Companies that engage in political activities should develop, maintain, and disclose robust processes, including effective board oversight, to guide these activities and mitigate such risks.

The disclosure of political contributions and lobbying is often not consolidated, leading investors to make piecemeal compilations of various governmental or official records. To address this, we depend on companies to provide accessible and clear disclosures so that investors can easily understand how their political activities support their long-term strategy, including on stated public policy priorities. BIS considers whether there is general consistency between a company's stated positions on policy matters material to its strategy and the positions taken by significant industry groups of which it is a member.

BIS may support a shareholder proposal requesting additional disclosure or explanation where we note material inconsistencies with stated public policy priorities material to the company's long-term strategy or where increased transparency would help shareholders understand how a company's political activities support its strategic priorities. In our voting analysis, BIS will review information disclosed by the company, as well as third-party research for industry peer comparison.

1. Regulations differ across markets. For example, in the United States, while lobbying is constitutionally protected free speech under the First Amendment, federal law prohibits corporations from making political contributions in connection with federal elections. However, corporations are permitted to make independent expenditures in support of a candidate or contribute to political action committees (PACs) for these expenditures. In addition to federal laws, there are also various state laws governing corporate contributions in those jurisdictions. Federal and state laws require campaigns, political party committees, and PACs to publicly report the identity of their contributors. Further, some states also require additional company-specific filings. Federal law requires public reporting of federal lobbying expenses, while each state has a similar lobbying reporting requirement.

As investors, it helps our understanding when companies provide easy to navigate information on their public websites and disclose the following information related to their political activities and lobbying:

- ✔ The purpose of the company's political contributions and engagement in lobbying activities and trade associations, and how this activity supports the company's long-term strategy and/or goals of public participation, including the company's legislative and regulatory priorities
- ✔ How the company engages in these activities (e.g., government relations/policy team)
- ✔ The company's political activities policy, including management and board responsibilities
- ✔ The board's oversight process for monitoring political activities
- ✔ If the company has established a political action committee (PAC), and if so, how the PAC's spending furthers the aims of the company's political activities
- ✔ Trade association memberships for which dues exceed a predetermined threshold that requires board approval or oversight
- ✔ Whether the company has conducted an analysis of the consistency between a company's stated, material policy positions and those of their significant trade associations, and if material inconsistencies existed, how those were addressed

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