BlackRock’s Investment Stewardship team (BIS) regularly engages with companies to understand how their activities and disclosures related to political spending and lobbying are consistent with a company’s overall strategy and long-term shareholder value creation.

In certain markets, companies may engage in political activities, within legal and regulatory limits, in order to influence public policy consistent with their values, business interests, and strategies. Direct corporate political activity can provide a means for protecting and/or promoting the economic interests of companies, their shareholders, and other stakeholders by helping elect responsible candidates to office. In addition, corporate engagement on public policy matters helps to inform policy makers 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 keep up to date on developments likely to impact their industry and to contribute to the thinking and policy positions of the associations as they engage with policy makers. Trade associations often also provide educational and professional networking opportunities for their members, which companies may find beneficial.

However, these activities can also create risks for companies, including reputational risks associated with a controversial candidate, party, policy or issue, as well as certain risks that can arise from the complex legal, regulatory, and compliance considerations associated with corporate political spending and lobbying activities in various jurisdictions. Moreover, trade associations may engage in such political or lobbying activities. Companies that engage in political and lobbying activities should develop and maintain robust processes to guide these activities and mitigate such risks, including effective board oversight.

In the United States, while lobbying is considered a constitutional right 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) that only make such expenditures. Prohibitions and restrictions on corporate contributions at the state and local levels vary by state. As for disclosure, federal and state law requires campaigns, political party committees, and political action committees to publicly report the identity of their contributors, while some states also require the company making the contribution to file reports. Federal law also requires public reporting of federal lobbying expenses while each state has a similar lobbying reporting requirement. However, the disclosure of political contributions and lobbying is not consolidated, requiring one to separately search each jurisdiction’s records. As a result, companies should provide accessible and

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1 Including the failure to comply with the relevant election law requirements.

2 According to the Federal Election Commission, an independent expenditure is an expenditure for a communication that expressly advocates the election or defeat of a clearly identified candidate and which is not made in coordination with any candidate, or his or her authorized committees, agents, or a political party committee or its agents.
transparent disclosure so that investors and interested stakeholders can understand how a company’s public messaging and strategy are aligned with its contributions or affiliations.

In assessing how well a company is balancing the benefits and risks of engaging in political activities, BIS will evaluate a company’s disclosure and other publicly available information to consider how a company’s political contributions and lobbying may impact the company. We will also evaluate whether there is alignment between a company’s stated positions on policy matters material to its strategy and the positions taken by industry groups of which it is a member. Accordingly, companies should address instances where significant inconsistencies between publicly stated priorities and affiliated group views on major policy positions could create reputational risk. BIS also encourages companies to include a description of the procedures put in place to mitigate such material inconsistencies and to avoid indirectly supporting industry groups’ major policy positions that are contrary to the company’s own.

Where BIS notes material inconsistencies with stated public policy priorities, we may support a shareholder proposal requesting additional disclosure or explanation for such inconsistency. In making our assessment, BIS will review information disclosed by the company, as well as third-party research[^3] for industry peer comparison.

Companies should provide easy to navigate information on their public website, and should consider disclosing 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 aligns with the company’s strategy and/or goals of public participation, including the company’s legislative and regulatory priorities.
- How the company engages in these activities (ex: Government Relations/Policy Team).
- The company’s political contribution and lobbying policy, including management and board responsibilities.
- The board’s oversight process for monitoring political contributions and lobbying activities.
- If the company has established a PAC, and if so, how the PAC’s spending furthers the aims of the company’s political contributions.
- Trade association memberships for which dues exceed a predetermined threshold that requires board approval or oversight.
- An affirmation of compliance with federal and state laws governing political activities and lobbying.

[^3]: BIS considers internal analysis and third-party research for industry and peer comparison, such as the CPA-Zicklin Index, which benchmarks political spending and lobbying disclosures for selected US public companies. The review is produced annually by the Center for Political Accountability in conjunction with the Zicklin Center for Business Ethics Research at the University of Pennsylvania Wharton School. More information can be found at: [https://politicalaccountability.net/index](https://politicalaccountability.net/index).