

BlackRock Investment Stewardship's perspective on corporate political activities

Over the last decade, numerous shareholder proposals have been submitted regarding corporate political activities. BlackRock's Investment Stewardship team assesses these proposals in light of what we view as appropriate oversight, management, and disclosure of such activities.

Background

Through their participation in the political process, public companies have long demonstrated to shareholders that they believe it is important to advocate for policies that are aligned with the long-term economic interests of their companies. Corporate political activity can provide a means for protecting and/or promoting the economic interests of companies and their clients. It also helps ensure that policy makers are aware of the practical implications of policy decisions. As an important part of our fiduciary duty to our clients, BlackRock advocates for public policies that we believe are in the long-term best interests of BlackRock and its clients.

In the United States, federal law permits companies to engage in certain political activities, within legal and regulatory limits, in order to affect public policy consistent with a companies' business model, values, and strategies to serve shareholders' best long-term economic interests. Federal election laws and most state laws require companies to report election-related political contributions, including those of political action committees (PAC). Federal law also requires public reporting on federal lobbying expenses.

In the U.S., since 2004, shareholder proposals have been submitted on public company proxies to ask them to provide greater transparency on their policies, oversight, and expenditures related to political activities. These proposals have included:

- Federal and state political expenditures – both election-related and for lobbying activity
- Payments to trade associations which are used for lobbying activities
- Payments to tax exempt organizations that seek to influence legislation

BlackRock Investment Stewardship (BIS) generally believes it is the duty of boards and management to determine the appropriate level of voluntary disclosure of corporate activity. Where shareholder proposals on political activities disclosure are concerned, our general approach is to consider:

- A company's existing governance framework around political activities
- A company's existing level of disclosure
- Whether the disclosure requested is materially relevant to the investment decisions and goals of shareholders, keeping in mind the nature of the company and its business
- The presence of significant potential threats or actual harm to shareholders' interests
- The scope of the proposal and the level of specificity requested; we are generally not supportive of overly prescriptive proposals

The information BIS finds helpful in assessing a company's approach to political activity disclosures

In considering political activity disclosure, we have identified certain best practices that we would encourage companies to follow. These include:

- Disclose on the company website or through a separate report linked to the company website: company policy for political expenditures from corporate assets, including lobbying activities
- Ensure that appropriate oversight of political activities is in place, which in many cases would include oversight by the appropriate board committee. This oversight could include review of the company's policy on political expenditures and lobbying activities
- Affirm compliance with federal laws governing political activities and in particular the Lobbying Disclosure Act ("LDA")
 - Include links to relevant websites that contain the company's federal lobbying reports under the LDA as well as any company-related PAC political expenditures

- Affirm compliance with state laws and disclose significant state lobbying activities, if any

Finally, we believe that it is not the role of shareholders to suggest or approve corporate political activities; therefore we generally do not support proposals requesting a shareholder vote on political activities or expenditures.

Contact BlackRock Investment Stewardship at contactstewardship@blackrock.com