

Corporate Participation in the Political Process in the United States

This guidance describes the framework we use to analyze shareholder proposals regarding corporate participation in the political process in the United States.

Background

Corporate participation in the political process is common practice in the United States, and we believe it continues to carry risks that warrant stronger board oversight and increased transparency. Companies that make political contributions, pursue lobbying activities, or support politically-active industry groups in the United States have a responsibility to provide adequate disclosure to investors, and their boards should oversee political activities.

What follows is an overview of the framework we use to evaluate three common political activity shareholder proposal themes: 1) political contributions; 2) lobbying; and 3) trade association alignment. We will consider supporting relevant shareholder proposals when a company's disclosures are not fully aligned with our expectations outlined below.

Political Contributions

Political contribution proposals ask issuers to disclose direct and indirect political spending. State Street Global Advisors expects investee companies to disclose the following information regarding political contributions not only through mandated filings, but also on the company's own website or corporate responsibility reporting:

- All contributions, no matter the dollar value, made by the company, its subsidiaries, and/or affiliated Political Action Committees (PACs) to individual candidates, PACs, and other political organizations at the state and federal levels in the US; and
- The role of the board in oversight of political contributions.

Lobbying

Lobbying proposals ask companies to describe the process for the board's review of political policies, lobbying expenditures, general lobbying activities, and selection and engagement of lobbyists. As investors, we are concerned when lobbying creates potential reputational risks, for example by contradicting companies' publicly stated positions on relevant issues. We believe that board oversight can help mitigate these risks, as the board is attuned to the company's values, mission, and public perception. As such, we expect companies to disclose:

- Membership in US trade associations (to which payments are above \$50,000 per year); and
- The role of the board in overseeing lobbying activities.

Trade Association Alignment

The latest iteration of politically-focused shareholder proposals ask that corporate membership in trade associations be aligned with a company's stated position on various environmental and social issues, for example climate change. State Street Global Advisors evaluates the following when considering such a proposal:

- The board's role in overseeing the company's participation in the political process in the US, including membership in trade associations;
- Whether the company regularly performs a gap analysis of its stated positions on relevant environmental and/or social issues versus those of its trade associations; and
- Whether the company disclosed a list of its US trade association memberships (to which payments are above \$50,000 per year).

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* Pensions & Investments Research Center, as of December 31, 2021.

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