

Quick Guide

CONTROL ENVIRONMENT

ACCOUNTABILITY IN THE BOARDROOM

The board has a central role in the governance of political activities, providing accountability and oversight.

When deciding how to exercise oversight and accountability for political engagement, the board should understand fully its legal duties and requirements. For political engagement, this means that the board should approve the policies for the various forms of political activity, ensure that the policies align to the company's values, provide oversight of political expenditures.

The board provides governance and assigns authority and responsibilities to management for carrying out its directives. The distinction between oversight and management should be precise. The board will approve the scope, aims and strategy for political engagement and review the results of implementation but it will not be responsible for approving individual expenditures. It may be asked for approval or guidance when issues occur or risks cannot be addressed but ultimately expenditures are management's responsibility.

Considerations for a board on the company's participation in the political process:

- Corporate laws and regulations
- Expectations of stakeholders
- Commitments to corporate responsibility
- Deciding on the scope, guiding principles and objectives for political activities
- Understanding the risks of political activities
- Deciding the oversight and accountability
- Duties of the board
- Assigning responsibility for implementation to senior management
- Requiring effective controls to be implemented to ensure political activities conform to corporate policies and counter assessed risks

A particular concern for the board will be its accountability to shareholders. Investor activism is rising with investors increasingly uneasy about risks from corporate political engagement that could lead to reputational damage or litigation. Boards need to understand the interests and

concerns of investors and related advocacy bodies and review whether the policies and procedures for political activities should be modified to meet these concerns and expectations.

COMMITMENT AND GUIDING PRINCIPLES

The starting point for the board's review of political engagement is to ensure it has approved a public commitment to responsible political activities and agreed guiding principles. The guiding principles will be the framework for engagement and are suggested as integrity, legitimacy, accountability and oversight, consistency and transparency.

Integrity: The company is committed to ethical behaviour, integrity and responsibility in political engagement; its policies and procedures for political activities are designed to meet these values as well as the laws, norms and expectations of stakeholders for integrity and ethical behaviour.

Legitimacy: The company's political engagement activities meet business objectives, serve the interests of the company, and not those of the directors or management, and comply with laws.

Accountability and oversight: The board is accountable to shareholders and other stakeholders for political engagement.

Consistency: The company carries out its political engagement activities consistent with its values, guiding principles and policies. It also ensures that its political engagement activities are carried out consistently across its organisation and third parties acting on its behalf.

Transparency: The company is open about the guiding principles, objectives, policies and procedures of its political engagement and reports regularly to stakeholders on activities, performance and expenditures. Information is provided comprehensively and is easily accessible.

MANAGING ENGAGEMENT

Assessing the risks

Risk assessment provides the basis for the design of controls to prevent violations of company policies, including bribery or improper behaviour arising from a conflict of interest.

Examples of internal risk factors:

- **Corruption:** The company's people are driven or tempted by factors such as business opportunity or survival, financial pressures, personal gain, extortion or harassment.
- **Negligence:** The casual implementation of policies and procedures is a major cause of breaches. The main measures to counter these risks are communication, training, appraisal, checks and balances, monitoring and evaluation.
- **Conflict of interest:** This is a risk that runs through all the forms of political engagement. A clear example is board members and employees with links or affiliations to political parties.

Examples of external risk factors:

- **Countries prone to corruption and conflicts of interest:** Operations in countries with weak governance and legislative systems, where public contracts, concessions, contracts and licences are commonly awarded through political influence and corruption.
- **Interchangeable political and business elites:** Political and business elites exist not only in small or developing countries, but are also found in large developed countries. Exchanges between the two can lead to the blurring of roles and affiliations as well as cronyism and trading in influence.
- **Legal and regulatory environments:** Laws and regulations for political activities are ill-defined in their scope or may be applied arbitrarily or with adverse intent by a government and carry significant sanctions if breached.

Risk assessment is a continuing process as external factors and the company's business will change. The risk assessments should be documented as this information will be needed to guide further assessments and will be an important reference if an incident occurs.

IMPLEMENTING POLICIES AND PROCEDURES

Policies and procedures will be designed and implemented to meet the company's commitments to overall corporate values, the guiding principles for responsible political engagement and to achieve its business objectives. They will also include controls to counter the prioritised risks identified through risk assessments.

The main areas to be covered by the company's policies and procedures:

Stakeholder engagement: Stakeholder engagement can play an important role in providing information for designing and implementing policies and procedures for political activities. The company should decide which stakeholders are important to consult. These can include institutional shareholders, customers, employee interest groups, NGOs, community representatives, think tanks, politicians and public officials.

Countering bribery: Bribery is a risk in political activities and the anti-bribery programme should be designed to counter any assessed risks related to political activities. The risk assessment process for political engagement will identify the main forms of corruption risk and these can be countered by designing specific controls.

Communications and training: Through communications and training, the company should ensure that its employees and relevant third parties, such as its consultant lobbyists, comply with the company's policies and procedures,

Raising concerns and providing advice: Whistleblowing channels are an important safety valve for the company and can be used by employees or third parties to raise concerns about aspects of the company's political activities.

Internal controls: As part of their oversight and accountability responsibilities, the board must ensure that internal controls are designed and implemented to provide reasonable assurance regarding the achievement of objectives for the effectiveness and efficiency of operations.

MONITORING AND EVALUATION

Monitoring and evaluation is the penultimate step in the process of implementing policies and procedures for political engagement activities. Monitoring is the means of checking that the strategy, policies and procedures for managing political activities are working, detecting any concerns or malpractice and striving for continuous improvement. It allows the company to check that the programme is being implemented effectively and is meeting the objectives set by management and agreed by the board.

For further information, see the [Transparency International Guide Wise Counsel or Dark Arts? Principles and guidance for responsible corporate political engagement, 2015](#)